

ANNEX E

BLACKLINE SHOWING PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 31-103 *REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS*

1.1 Definitions of terms used throughout this Regulation

In this Instrument (...)

“direct investment fund charge” means an amount charged, by an investment fund or an investment fund manager, to a client if the client buys, holds, sells or switches units or shares of an investment fund, including any federal, provincial or territorial sales taxes paid on that amount, other than, for greater certainty, an amount included in the investment fund’s fund expenses;

“ETF facts document” has the same meaning as in section 1.1 of National Instrument 41-101 *General Prospectus Requirements*;

“fund expense ratio” means the sum of an investment fund’s management expense ratio and trading expense ratio, expressed as a percentage;

“fund facts document” has the same meaning as in section 1.1 of National Instrument 81-101 *Mutual Fund Prospectus Disclosure*;

“management expense ratio” has the same meaning as in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“management report of fund performance” has the same meaning as in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“trading expense ratio” means the ratio, expressed as a percentage, of the total commissions and other portfolio transaction costs incurred by an investment fund to its average net asset value, calculated in accordance with paragraph 12 of item 3 Financial Highlights of Part B of Form 81-106F1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

(...)

14.1.1 Duty to provide information – investment fund managers

(1) A registered investment fund manager of an investment fund must, within a reasonable period of time, provide a registered dealer or a registered adviser that has a client that owns securities of the investment fund with the information that is required by the dealer or adviser, in order for the dealer or adviser to comply with paragraph 14.12(1)(c), subsections 14.14(4) and (5), 14.14.1(2) and 14.14.2(1) and paragraphs 14.17(1)(h) and (i) and (j), or with a reasonable approximation of such information.

(2) For the purpose of subsection (1), with respect to the information required in respect of paragraph 14.17(1)(i), the registered investment fund manager must provide the daily cost per unit or share of the relevant class or series of an investment fund calculated in dollars, determined using the following formula:

$$\frac{A}{365} \times B = C, \text{ where}$$

A = fund expense ratio of the applicable class or series of the investment fund;

B = the net asset value of a share or unit of the applicable class or series of the investment fund for the day;

C = the daily dollar cost per unit for the investment fund class or series.

(3) For the purpose of subsection (1), and paragraph 14.14(5)(c.1) or 14.14.1(2)(c.1), if a registered investment fund manager provides an approximation, the approximation must be determined based on information disclosed in an investment fund's most recently disclosed fund facts document, ETF facts document, prospectus or management report of fund performance, making any reasonable assumptions, unless

(a) the information was disclosed more than 12 months before the end of the period covered by the statement or report which is required to be delivered by the registered dealer or registered adviser under subsection 14.14(1), 14.14.1(1) or 14.17(1), or

(b) the investment fund manager reasonably believes that doing so would cause the information disclosed in the statement or report to be misleading.

(...)

14.14. Account statements

(1) A registered dealer must deliver to a client a statement that includes the information referred to in subsections (4) and (5)

(a) at least once every 3 months, or

(b) if the client has requested to receive statements on a monthly basis, for each one-month period.

(2) A registered dealer must deliver to a client a statement that includes the information referred to in subsections (4) and (5) after the end of any month in which a transaction was effected in securities held by the dealer in the client's account, other than a transaction made under an automatic withdrawal plan or an automatic payment plan, including a dividend reinvestment plan.

(2.1) Paragraph 1(b) and subsection (2) do not apply to a mutual fund dealer in connection with its activities as a dealer in respect of the securities listed in paragraph 7.1(2)(b).

(3) A registered adviser must deliver to a client a statement that includes the information referred to in subsections (4) and (5) at least once every 3 months, except that if the client has requested to receive statements on a monthly basis, the adviser must deliver a statement to the client for each one-month period.

(3.1) (paragraph revoked).

(4) If a registered dealer or registered adviser made a transaction for a client during the period covered by a statement delivered under subsection (1), (2) or (3), the statement must include the following:

- (a) the date of the transaction;
- (b) whether the transaction was a purchase, sale or transfer;
- (c) the name of the security;
- (d) the number of securities purchased, sold or transferred;
- (e) the price per security if the transaction was a purchase or sale;
- (f) the total value of the transaction if it was a purchase or sale.

(5) If a registered dealer or registered adviser holds securities owned by a client in an account of the client, a statement delivered under subsection (1), (2) or (3) must indicate that the securities are held for the client by the registered firm and must include the following information about the client's account determined as at the end of the period for which the statement is made:

- (a) the name and quantity of each security in the account;
- (b) the market value of each security in the account and, if applicable, the notification in subsection 14.11.1(2);
- (c) the total market value of each security position in the account;
- (c.1) the fund expense ratio of each class or series of each investment fund in the account;
- (c.2) if information reported under paragraph (c.1) is based on an approximation or any other assumption, a description of the assumption or approximation;
- (d) any cash balance in the account;
- (e) the total market value of all cash and securities in the account;

(f) whether the account is eligible for coverage under an investor protection fund approved or recognized by the securities regulatory authority and, if it is, the name of the investor protection fund;

(g) which securities in the account might be subject to a deferred sales charge if they are sold;

(h) if there are investment funds in the account, the following notification or a notification that is substantially similar:

“Fund expenses are made up of the management fee, operating expenses and trading costs. You don't pay these expenses directly. They are periodically deducted from the value of your investments by the companies that manage and operate those funds. Different funds have different fund expenses. They affect you because they reduce the fund's returns. These expenses add up over time. Fund expenses are expressed as an annual percentage of the total value of the fund. They correspond to the sum of the fund's management expense ratio (MER) and trading expense ratio (TER). These costs are already reflected in the current values reported for your fund investments.”;

(6) (paragraph revoked).

(7) For the purposes of this section, a security is considered to be held by a registered firm for a client if

- (a) the firm is the registered owner of the security as nominee on behalf of the client, or
- (b) the firm has physical possession of a certificate evidencing ownership of the security.

14.14.1. Additional statements

(1) A registered dealer or registered adviser must deliver a statement that includes the information referred to in subsection (2) to a client if any of the following apply in respect of a security owned by the client that is held or controlled by a party other than the dealer or adviser:

- (a) the dealer or adviser has trading authority over the security or the client's account in which the security is held or was transacted;
- (b) the dealer or adviser receives continuing payments related to the client's ownership of the security from the issuer of the security, the investment fund manager of the issuer or any other party;

(c) the security is issued by a scholarship plan, a mutual fund or an investment fund that is a labour-sponsored investment fund corporation, or labour-sponsored venture capital corporation, under legislation of a jurisdiction of Canada and the dealer or adviser is the dealer or adviser of record for the client on the records of the issuer of the security or the records of the issuer's investment fund manager.

(2) A statement delivered under subsection (1) must include the following in respect of the securities or the account referred to in subsection (1), determined as at the end of the period for which the statement is made:

(a) the name and quantity of each security;

(b) the market value of each security and, if applicable, the notification in subsection 14.11.1(2);

(c) the total market value of each security position;

(c.1) the fund expense ratio of each class or series of each investment fund;

(c.2) if information reported under paragraph (c.1) is based on an approximation or any other assumption, a description of the assumption or approximation;

(d) any cash balance in the account;

(e) the total market value of all of the cash and securities;

(f) disclosure in respect of the party that holds or controls each security and a description of the way it is held;

(g) whether the securities are, or the account is, eligible for coverage under an investor protection fund approved or recognized by the securities regulatory authority;

(h) which of the securities might be subject to a deferred sales charge if they are sold;

(i) if the statement includes information under paragraph (c.1), the following notification or a notification that is substantially similar:

“Fund expenses are made up of the management fee, operating expenses and trading costs. You don't pay these expenses directly. They are periodically deducted from the value of your investments by the companies that manage and operate those funds. Different funds have different fund expenses. They affect you because they reduce the fund's returns. These expenses add up over time. Fund expenses are expressed as an annual percentage of the total value of the fund. They correspond to the sum of the fund's management expense ratio (MER) and trading expense ratio (TER). These costs are already reflected in the current values reported for your fund investments.”

(...)

14.17. Report on charges and other compensation

(1) For each 12-month period, a registered firm must deliver to a client a report on charges and other compensation containing the following information, except that the first report delivered after a client has opened an account may cover a period of less than 12 months:

- (a) the registered firm's current operating charges which might be applicable to the client's account;
- (b) the total amount of each type of operating charge related to the client's account paid by the client during the period covered by the report, and the total amount of those charges;
- (c) the total amount of each type of transaction charge related to the purchase or sale of securities paid by the client during the period covered by the report, and the total amount of those charges;
- (d) the total amount of the operating charges reported under paragraph (b) and the transaction charges reported under paragraph (c);
- (e) if the registered firm purchased or sold debt securities for the client during the period covered by the report, either of the following:
 - (i) the total amount of any mark-ups, mark-downs, commissions or other service charges the firm applied on the purchases or sales of debt securities;
 - (ii) the total amount of any commissions charged to the client by the firm on the purchases or sales of debt securities and, if the firm applied mark-ups, mark-downs or any service charges other than commissions on the purchases or sales of debt securities, the following notification or a notification that is substantially similar:

“ For debt securities purchased or sold for you during the period covered by this report, dealer firm remuneration was added to the price you paid (in the case of a purchase) or deducted from the price you received (in the case of a sale). This amount was in addition to any commissions you were charged.”;
- (f) if the registered firm is a scholarship plan dealer, the unpaid amount of any enrolment fee or other charge that is payable by the client;
- (g) the total amount of each type of payment, other than a trailing commission, that is made to the registered firm or any of its registered individuals by a securities issuer or another registrant in relation to registerable services to the client during the period covered by the report, accompanied by an explanation of each type of payment;

(h) if the registered firm received trailing commissions related to securities owned by the client during the period covered by the report, the following notification or a notification that is substantially similar:

“We received \$[amount] in trailing commissions in respect of securities you owned during the 12-month period covered by this report.

Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission depends on the sales charge option you chose when you purchased the fund. You are not directly charged the trailing commission or the management fee. But, these fees affect you because they reduce the amount of the fund’s return to you. Information about management fees and other charges to your investment funds is included in the prospectus, fund facts document or ETF Facts document for each fund.”;

(i) the total amount of fund expenses, in relation to securities of investment funds owned by the client during the period covered by the report, either:

(a) charged to the client by an investment fund, its investment fund manager or any other party, or;

(b) charged to an investment fund by its investment fund manager or any other party;

(j) the total amount of direct investment fund charges charged to the client by an investment fund, investment fund manager or any other party, in relation to securities of investment funds owned by the client during the period covered by the report, excluding any charges included in the amounts under paragraph (c) or (f);

(k) the total amount of the fund expenses reported under paragraph (i) and the direct investment fund charges reported under paragraph (j);

(l) the total amount of the registered firm’s charges reported under paragraph (d) and the investment fund fees reported under paragraph (k);

(m) if the client owned investment fund securities during the period covered by the report, the following notification or a notification that is substantially similar:

“Fund expenses are made up of the management fee, operating expenses and trading costs. You don’t pay these expenses directly. They are periodically deducted from the value of your investments by the companies that manage and operate those funds. Different funds have different fund expenses. They affect you because they reduce the fund’s returns. These expenses add up over time. Fund expenses are expressed as an annual percentage of the total value of the fund. They correspond

to the sum of the fund's management expense ratio (MER) and trading expense ratio (TER). These costs are already reflected in the current values reported for your fund investments.

The number shown here is the total dollar amount you paid in management fees, trading fees and operating expenses for all the investment funds you owned last year. This amount depends on each of your funds' fund expenses and the amount you invested in each fund. Your account statements show the fund expenses as a percentage for each fund you hold."

(n) if the client owned investment fund securities during the period covered by the report and any deferred sales charges were paid by the client, the following notification or a notification that is substantially similar:

"You paid this cost because you redeemed your units or shares of a fund purchased under a deferred sales charge option (DSC) before the end of the redemption fee schedule and a redemption fee was payable to the investment fund company. Information about these and other fees can be found in the prospectus or fund facts document for each investment fund. The redemption fee was deducted from the redemption amount you received."

(o) if the client owned investment fund securities during the period covered by the report and direct investment fund charges, other than redemption fees, were charged to the client, a short explanation of the type of fees which were charged;

(p) if the information reported under paragraph (i) or (j) is based on an approximation or any other assumption, a description of the assumption or approximation.

(2) For the purposes of this section, the information in respect of securities of a client required to be reported under subsection 14.14(5) must be delivered in a separate report on charges and other compensation for each of the client's accounts.

(3) For the purposes of this section, the information in respect of securities of a client required to be reported under subsection 14.14.1(1) must be delivered in a report on charges and other compensation for the client's account through which the securities were transacted.

(4) Subsections (2) and (3) do not apply if the registered firm provides a report on charges and other compensation that consolidates, into a single report, the required information for more than one of a client's accounts and any securities of the client required to be reported under subsection 14.14(5) or 14.14.1(1) and if the following apply

(a) the client has consented in writing to the form of disclosure referred to in this subsection;

(b) the consolidated report specifies the accounts and securities with respect to which information is required to be reported under subsection 14.14.1(1).

(5) This section does not apply to a registered firm in respect of a permitted client that is not an individual.

(6) For the purposes of determining the total amount of fund expenses under paragraph (1)(i), the fund expenses for each class or series of each investment fund owned by the client during the reporting period must be added together after using the following formula to calculate the fund expenses for each fund for each day that the client owned it,

(A x B) where

A = the daily cost per unit or share of the relevant class or series of an investment fund calculated in dollars using the formula in subsection 14.1.1(2), and

B = the number of shares or units owned by the client for the day.

14.17.1 Reporting of fund expenses and direct investment fund charges

(1) Subject to subsection (2), for the purposes of paragraphs 14.14(5)(c.1), 14.14.1(2)(c.1), and 14.17(1)(i) and (j), the information required to be delivered to clients by a registered dealer or registered adviser must be based on the information provided under section 14.1.1.

(2) Subject to subsection (3), if no information is provided under section 14.1.1, or the registered firm reasonably believes that any part of the information provided pursuant to section 14.1.1 is incomplete or that relying on it would cause information required to be delivered to a client to be misleading, the registered firm must rely on the most recent information disclosed in the relevant fund facts document, ETF facts document, prospectus or management report of fund performance, as applicable;

(3) If there is no publicly available information or if the information referred to in subsection (2) was disclosed more than 12 months before the end of the period covered by the statement or report required to be delivered to the client, or the registered firm reasonably believes that relying on the publicly available information would cause information required to be delivered to the client to be misleading, the registered firm must not rely on the publicly available information and must

(a) make reasonable efforts to obtain the information referred to in subsection (1) by other means, and

(b) subject to subsection (4), rely on the information obtained under paragraph (a).

(4) If the registered firm reasonably believes it cannot obtain information under paragraph (3) that is not misleading, the registered firm must exclude the information, from the calculation of the amount of fund expenses or of the direct investment fund charges reported to the client, as the case may be, or, in the case of a fund expense ratio, must not report the fund

expense ratio, and must disclose the fact that the information is excluded or not reported in the relevant statement or report.