

ANNEX D

CHANGES TO COMPANION POLICY 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS

- 1. Companion Policy 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is changed by this Instrument.***
- 2. Division 1 Investment fund managers is replaced with the following:***

“Section 14.1 sets out the limited application of Part 14 to investment fund managers. The sections of Part 14 that apply to investment fund managers when performing their investment fund manager activities include section 14.1.1, section 14.5.2, section 14.5.3, section 14.6, section 14.6.1, section 14.6.2, subsection 14.12(5) and section 14.15. An investment fund manager that is also registered as a dealer or adviser (or both) is subject to all relevant sections of Part 14 in respect of that firm’s dealer or adviser activities.

Section 14.1.1 requires investment fund managers to provide information that is known to them or which is required to be calculated by them concerning position cost, fund expense ratio, fund expenses, deferred sales charges and any other charges deducted from the net asset value of the securities, and trailing commissions to dealers and advisers who have clients that own the investment fund manager’s funds. This information must be provided within a reasonable period of time, in order that the dealers and advisers may comply with their client reporting obligations. This is a principles-based requirement.

When relying on information disclosed in an investment fund’s previous disclosure documents, we would expect investment fund managers to inform the advisers or dealers of any assumptions or approximations in the information reported to the advisers or dealers.

An investment fund manager must work with the dealers and advisers who distribute fund products to determine what information they need from the investment fund manager in order to satisfy their client reporting obligations. The information and arrangements for its delivery may vary, reflecting different operating models and information systems.”

- 3. Section 14.14. Account statements is changed by adding the following immediately after “any fee or charge, and any other account activity.”:***

“The fund expense ratio of each series of each investment fund in the account and a description of any assumptions or approximations used to calculate this ratio must also be disclosed.”

4. Section 14.17. Report on charges and other compensation is changed by adding the following paragraph after the fifth paragraph:

“Registered firms should not include in the total amount of direct investment fund charges required to be reported under paragraph 14.17(1)(j), the amount of a charge, including a sales commission, which is required to be reported by the registered firm to the client under paragraph 14.17(1)(c), concerning transaction charges, or (f), specific to scholarship plan dealers, in order to avoid any potential double counting of such charge in the total cost amount required to be reported under paragraph 14.17(1)(l).”

5. Part 14 is changed by adding section 14.17.1 Reporting of fund expenses and direct investment fund charges after section 14.17:

“14.17.1 Reporting of fund expenses and direct investment fund charges

Dealers and advisers are required to rely on information provided by registered investment fund managers pursuant to section 14.1.1. However, they may be unable to rely on such information in certain circumstances, including if:

- there is no registered investment fund manager
- such information is not required to be provided for a fund (for example, as in the case of certain non-Canadian investment funds)
- an investment fund manager does not comply with section 14.1.1 for any reason, or
- the dealer or adviser reasonably believes that relying on this information would cause the information delivered to a client to be misleading.

In cases where paragraph 14.17.1(3)(a) applies, the registered firm must make reasonable efforts to obtain information about the investment fund’s fund expenses, fund expense ratio or direct investment fund charges by other means. Those other means may include:

- relying on information disclosed in disclosure documents of the investment fund other than those referred to in paragraph 14.17.1(2), including documents prepared according to the reporting requirements applicable in a foreign jurisdiction
- requesting that the information be provided in writing by the investment fund or investment fund manager, or

- relying on information reported by a reliable third-party service provider.

We expect registered firms to use their professional judgement in determining what other means of obtaining the information would be appropriate, notably taking into account that doing so must not cause the information reported to clients to be misleading. ”

6. *Appendix D - Annual Charges and Compensation Report is replaced with the following:*

Appendix D: Account Statement or Additional Statement and Annual Charges and Compensation Report

Dealer ABC Inc.

Your Account Number: 123-4567

Holdings in your account

On December 31, 2020

Portfolio Assets

| <u>Description</u> | <u>Shares Owned</u> | <u>Book Cost</u> | <u>Market Value</u> | <u>Current gain or loss</u> | <u>Fund Expenses¹</u> | <u>% of your holdings</u> |
|---|---------------------|--------------------|---------------------|-----------------------------|----------------------------------|---------------------------|
| <u>Investment Funds</u> | | | | | | |
| ABC Management Monthly Income Fund, Series A FE | 250.00 | \$17,000.00 | \$19,500.00 | \$2,500.00 | 1.00% | 41.49% |
| ABC Management Canadian Equity, Series A FE | 450.00 | \$19,500.00 | \$22,500.00 | \$3,000.00 | 2.00% | 47.87% |
| <u>Equities</u> | | | | | | |
| Company A N/A | 100.00 | \$2,000.00 | \$3,000.00 | \$1,000.00 | | 6.88% |
| Company B N/A | 50.00 | \$1,500.00 | \$2,000.00 | \$500.00 | | 4.26% |
| Totals | | \$40,000.00 | \$47,000.00 | | | 100.00% |

1. 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.
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Your Account Number: 123-4567

Your Cost of Investing and Our Compensation

This report shows for 2021

- your cost of investing, including what you paid to us and to investment fund companies
- our compensation

Your Cost of Investing

Costs reduce your profits and increase your losses

Your total cost of investing was \$815 last year

What you paid

| | |
|--|-----------------|
| Our charges: Amounts that you paid to us by withdrawals from your account or by other means such as cheques or transfers from your bank. | |
| Account administration and operating fees – you pay these fees to us each year | \$100.00 |
| Trading fees – you pay these fees to us when you buy or sell some investments | \$20.00 |
| Total you paid to us | \$120.00 |
| Investment fund company fees: Amounts you paid to investment fund companies that operate the investment funds (e.g., mutual funds) in your account. | |
| Fund Expenses - See the fund expenses % shown in the holdings section of your account statement ¹ | \$645.00 |
| Redemption fees on deferred sales charge (DSC) investments ² | \$50.00 |
| Amount you paid to investment fund companies | \$695.00 |
| Your total cost of investing | \$815.00 |

Our Compensation

What we received

| | |
|---|-----------------|
| Total you paid us, as indicated above | \$120.00 |
| Trailing commissions ³ paid to us by investment fund companies | \$342.00 |
| Total we received for advice and services we provided to you | \$462.00 |

1. **Fund expenses.** 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.

2. **Redemption fees on DSC investments:** 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.
3. **Trailing commissions.** Investment funds pay investment fund companies a fee for managing their funds. Investment fund companies pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission for each fund depends on the sales charge option you chose when you purchased the fund. You are not directly charged for trailing commissions. They are paid to us by investment fund companies.

Information about fund expenses, MERs, trading expenses and other investment fund company charges, as well as trailing commissions, is also included in the prospectus or fund facts document for each fund you own.

7. This Instrument comes into force on [●].