

**Black-line of Amendments to**  
**National Instrument 31-103**  
***Registration Requirements, Exemptions and***  
***Ongoing Registrant Obligations***

This document shows the amendments to NI 31-103 against the relevant portions of the unofficial consolidation of NI 31-103 published on September 28, 2012. Unless otherwise stated, the amendments come into force on July 15, 2013.

**1.1 Definitions of terms used throughout this Instrument**

....

*The following defined term is added to section 1.1 on July 15, 2015:*

“book cost” means the total amount paid to purchase a security, including any transaction charges related to the purchase, adjusted for reinvested distributions, returns of capital and corporate reorganizations;

....

“operating charge” means any amount charged to a client by a registered firm in respect of the operation, transfer or termination of a client’s account and includes any federal, provincial or territorial sales taxes paid on that amount;

*The following defined term is added to section 1.1 on July 15, 2015:*

“original cost” means the total amount paid to purchase a security, including any transaction charges related to the purchase;

....

*The following defined term is added to section 1.1 on July 15, 2016:*

“total percentage return” means the cumulative realized and unrealized capital gains and losses of an investment, plus income from the investment, over a specified period of time, expressed as a percentage;

*The following defined term is added to section 1.1 on July 15, 2014:*

“trailing commission” means any payment related to a client’s ownership of a security that is part of a continuing series of payments to a registered firm or registered individual by any party;

“transaction charge” means any amount charged to a client by a registered firm in respect of a purchase or sale of a security and includes any federal, provincial or territorial sales taxes paid on that amount;

....

## **Part 14 Handling client accounts – firms**

*Division 1    ~~Exemption for investment fund managers~~Investment fund managers*

### **14.1 ~~Investment fund managers exempt from Part 14~~Application of this Part to investment fund managers**

Other than ~~sections~~section 14.6 [~~holding client assets in trust~~], subsection 14.12(5) [~~content and delivery of trade confirmation~~] and ~~section 14.14~~14.14 [~~account statements~~], this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager.

*Section 14.1 is modified as follows on July 15, 2015:*

Other than section 14.6, subsection 14.12(5) and ~~section 14.14~~section 14.15, this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager.

*Section 14.1 is modified as follows on July 15, 2016:*

Other than section 14.1.1, section 14.6, subsection 14.12(5) and section 14.15, this Part does not apply to an investment fund manager in respect of its activities as an investment fund manager.

*The following section comes into force on July 15, 2016:*

#### **14.1.1 Duty to provide information**

An investment fund manager of an investment fund must, within a reasonable period of time, provide a registered dealer, or a registered adviser, who has a client that owns securities of the investment fund, with the information concerning deferred sales charges and any other charges

deducted from the net asset value of securities, and the information concerning trailing commissions paid to the dealer or adviser, that is required by the dealer or adviser in order to comply with paragraphs 14.12(1)(c) and 14.17(1)(h).

*Division 2 Disclosure to clients*

**14.2 Relationship disclosure information**

(1) A registered firm must deliver to a client all information that a reasonable investor would consider important about the client's relationship with the registrant.

(2) ~~The information~~Without limiting subsection (1), the information required to be delivered under ~~that subsection (1) includes all of~~must include the following:

- (a) a description of the nature or type of the client's account;
- (b) ~~a discussion that identifies~~general description of the products ~~or~~and services the registered firm offers to ~~a client~~the client;
- (c) a general description of the types of risks that a client should consider when making an investment decision;
- (d) a description of the risks to a client of using borrowed money to finance a purchase of a security;
- (e) a description of the conflicts of interest that the registered firm is required to disclose to a client under securities legislation;
- ~~(f) disclosure of all costs to a client for the operation of an account;~~
- (f) disclosure of the operating charges the client might be required to pay related to the client's account;
- ~~(g) a description of the costs a client will pay in making, holding and selling investments;~~
- (g) a general description of the types of transaction charges the client might be required to pay;
- (h) a general description of ~~the compensation~~any compensation paid to the registered firm by any other party in relation to the different types of products that a client may purchase through the registered firm;
- (i) a description of the content and frequency of reporting for each account or portfolio of a client;

- (j) if section 13.16 [*dispute resolution service*] applies to the registered firm, disclosure that independent dispute resolution or mediation services are available at the ~~registered firm's expense~~firm's expense, to resolve any dispute that might arise between the client and the firm about any trading or advising activity of the firm or one of its representatives;
- (k) a statement that the registered firm has an obligation to assess whether a purchase or sale of a security is suitable for a client prior to executing the transaction or at any other time;
- (l) the information a registered firm must collect about the client under section 13.2 [*know your client*].

***The following paragraphs come into force on July 15, 2014:***

- (m) a general explanation of how investment performance benchmarks might be used to assess the performance of a client's investments and any options for benchmark information that might be made available to clients by the registered firm;
- (n) if the registered firm is a scholarship plan dealer, an explanation of any terms of the scholarship plan offered to the client by the registered firm that, if those terms are not met by the client or the client's designated beneficiary under the plan, might cause the client or the designated beneficiary to suffer a loss of contributions, earnings or government contributions in the plan.

**(3)** A registered firm must deliver ~~to a client~~ the information in ~~subsection (1)~~subsection (1), if applicable, and subsection (2) to the client in writing, except that the information in paragraph (2)(b) may be provided orally or in writing, before the firm first

- (a) purchases or sells a security for the client, or
- (b) advises the client to purchase, sell or hold a security.

**(4)** If there is a significant change ~~to~~in respect of the information delivered to a client under ~~subsection~~subsections (1) or (2), the registered firm must take reasonable steps to notify the client of the change in a timely manner and, if possible, before the firm next

- (a) purchases or sells a security for the client;; or
- (b) advises the client to purchase, sell or hold a security.

**(5)** (repealed)

(5.1) A registered firm must not impose any new operating charge in respect of an account of a client, or increase the amount of any operating charge in respect of an account of a client, unless written notice of the new or increased operating charge is provided to the client at least 60 days before the date on which the imposition or increase becomes effective.

(6) This section does not apply to a registrant in respect of a permitted client if

- (a) the permitted client has waived, in writing, the requirements under this section, and
- (b) the registrant does not act as an adviser in respect of a managed account of the permitted client.

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

(7) Except for subsections (5.1), (6) and (8), this section does not apply to a registered dealer in respect of a client for whom the dealer purchases or sells securities only as directed by a registered adviser acting for the client.

(8) A registered dealer referred to in subsection (7) must deliver the information required under paragraphs (2)(a) and (e) to (j) to the client in writing, and the information in paragraph (2)(b) orally or in writing, before the dealer first purchases or sells a security for the client.

*The following section comes into force on July 15, 2014:*

#### **14.2.1 Pre-trade disclosure of charges**

(1) Before a registered firm accepts an instruction from a client to purchase or sell a security in an account other than a managed account, the firm must disclose to the client

- (a) the charges the client will be required to pay in respect of the purchase or sale, or a reasonable estimate if the actual amount of the charges is not known to the firm at the time of disclosure,
- (b) in the case of a purchase to which deferred charges apply, that the client might be required to pay a deferred sales charge on the subsequent sale of the security and the fee schedule that will apply, and
- (c) whether the firm will receive trailing commissions in respect of the security.

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

(3) This section does not apply to a dealer in respect of a client for whom the dealer purchases or sells securities only as directed by a registered adviser acting for the client.

***The following section comes into force on July 15, 2015:***

**14.11.1 Determining market value**

- (1) For the purposes of this Division, the market value of a security
- (a) that is issued by an investment fund which is not listed on an exchange must be determined by reference to the net asset value provided by the investment fund manager of the fund on the relevant date,
  - (b) in any other case, is the amount that the registered firm reasonably believes to be the market value of the security
    - (i) after referring to a price quotation on a marketplace, if one is published for the security, using the last bid price in the case of a long security and the last ask price in the case of a short security, as shown on a consolidated pricing list or exchange quotation sheet as of the close of business on the relevant date or the last trading day before the relevant date, and after making any adjustments considered by the registered firm to be necessary to accurately reflect the market value,
    - (ii) if no reliable price for the security is quoted on a marketplace, after referring to a published market report or inter-dealer quotation sheet, on the relevant date or the last trading day before the relevant date, and after making any adjustments considered by the registered firm to be necessary to accurately reflect the market value,
    - (iii) if the market value for the security cannot be reasonably determined in accordance with subparagraphs (i) or (ii), after applying the policy of the registered firm for determining market value, which must include procedures to assess the reliability of valuation inputs and assumptions and provide for
      - (A) the use of inputs that are observable, and
      - (B) the use of unobservable inputs and assumptions, if observable inputs are not reasonably available.
- (2) If a registered firm determines the market value of a security in accordance with subparagraph (1)(b)(iii), when it refers to the market value in a statement under section 14.14

[account statements], 14.14.1 [additional statements], 14.14.2 [position cost information], 14.15 [security holder statements] or 14.16 [scholarship plan dealer statements], the registered firm must include the following notification or a notification that is substantially similar:

“There is no active market for this security so we have estimated its market value.”

(3) If a registered firm reasonably believes that it cannot determine the market value of a security in accordance with subsection (1), the market value of the security must be reported in a statement delivered under section 14.14 [account statements], 14.14.1 [additional statements], 14.14.2 [position cost information], 14.15 [security holder statements] or 14.16 [scholarship plan dealer statements] as not determinable, and the market value of the security must be excluded from the calculations in paragraphs 14.14(5)(b), 14.14.1(2)(b) and 14.14.2(5)(a).

***Subsection 14.11.1(3) is modified as follows on July 15, 2016:***

**(3)** If a registered firm reasonably believes that it cannot determine the market value of a security in accordance with subsection (1), the market value of the security must be reported in a statement delivered under section 14.14 [account statements], 14.14.1 [additional statements], 14.14.2 [position cost information], 14.15 [security holder statements] or 14.16 [scholarship plan dealer statements] and in an investment performance report delivered under section 14.18 [investment performance report] as not determinable, and the market value of the security must be excluded from the calculations in paragraphs 14.14(5)(b), 14.14.1(2)(b) and 14.14.2(5)(a) and subsection 14.19(1) [content of investment performance report].

## **14.12 Content and delivery of trade confirmation**

**(1)** A registered dealer that has acted on behalf of a client in connection with a purchase or sale of a security must promptly deliver to the client or, if the client consents in writing, to a registered adviser acting for the client, a written confirmation of the transaction, setting out the following:

- (a) the quantity and description of the security purchased or sold;
- (b) the price per security paid or received by the client;
- (c) the commission, sales charge, service charge and any other amount charged in respect of the transaction;
- (d) whether the registered dealer acted as principal or agent;
- (e) the date and the name of the marketplace, if any, on which the transaction took place, or if applicable, a statement that the transaction took place on more than one marketplace or over more than one day;

- (f) the name of the dealing representative, if any, involved in the transaction;
- (g) the settlement date of the transaction;
- (h) if applicable, that the security is a ~~security of~~security issued by the registrant~~registered dealer~~, a ~~security of~~security issued by a related issuer of the ~~registrant~~registered dealer or, if the transaction occurred during the security's distribution, a ~~security of~~security issued by a connected issuer of the registered dealer.

***The following paragraphs come into force on July 15, 2014:***

- (b.1) in the case of a purchase of a debt security, the security's annual yield;
- (c.1) in the case of a purchase or sale of a debt security, either of the following:
  - (i) the total amount of any mark-up or mark-down, commission or other service charges the registered dealer applied to the transaction;
  - (ii) the total amount of any commission charged to the client by the registered dealer and, if the dealer applied a mark-up or mark-down or any service charge other than a commission, the following notification or a notification that is substantially similar:

*“Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale). This amount was in addition to any commission this trade confirmation shows was charged to you.”;*

***Paragraph (c) is replaced with the following on July 15, 2016:***

- (c) the amount of each transaction charge, deferred sales charge or other charge in respect of the transaction, and the total amount of all charges in respect of the transaction;

....

#### **14.14 Account statements**

- (1)** A registered dealer must deliver a statement to a client at least once every 3 months.

(2) Despite subsection (1), a registered dealer must deliver a statement to a client ~~at~~after the end of a month if any of the following apply:

- (a) the client has requested ~~receiving~~to receive statements on a monthly basis;
- (b) during the month, a transaction was effected in the account other than a transaction made under an automatic withdrawal plan or an automatic payment plan, including a dividend reinvestment plan.

(2.1) Subsection (2) does not apply to a mutual fund dealer in connection with its activities as a dealer in respect of the securities listed in section 7.1(2)(b).

(3) ~~Except if the client has otherwise directed, a~~A registered adviser must deliver a statement to a client 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 every month.

(3.1) If there is no dealer of record for a security holder on the records of a registered investment fund manager, the investment fund manager must deliver a statement to the security holder at least once every 12 months.

(4) A statement delivered under subsection (1), (2), (3), or (3.1) must include all of the following information for each transaction made for the client or security holder during the period covered by the statement:

- (a) the date of the transaction;
- (b) ~~the type of~~whether the transaction was a purchase, sale or transfer;
- (c) the name of the security;
- (d) the number of securities;
- (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) A statement delivered under subsection (1), (2), (3), or (3.1) must include all of the following information about the client's or security holder's account 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;
- (c) the total market value of each security position in the account;

- (d) any cash balance in the account;
  - (e) the total market value of all cash and securities in the account.
- (6) Subsections (1) and (2) do not apply to a scholarship plan dealer if both of the following apply:
- (a) the dealer is not registered in another dealer or adviser category;
  - (b) the dealer delivers to the client a statement at least once every 12 months that provides the information in subsections (4) and (5).

*Section 14.14 is modified as follows on July 15, 2015:*

**14.14 Account statements**

(1) A registered dealer must ~~deliver a statement to a client at least once every 3 months~~ 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) ~~Despite subsection (1), a~~ registered dealer must ~~deliver a statement to a client after the end of a month if any of the following apply:~~

(a) ~~the client has requested to receive statements on a monthly basis;~~

(b) ~~during the month, a transaction was effected in the account other than a transaction made under an automatic withdrawal plan or an automatic payment plan, including a dividend reinvestment plan~~ 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) ~~Subsection (2) does~~ 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 section 7.1(2)(b) paragraph 7.1(2)(b) [dealer categories].

(3) A registered adviser must ~~deliver a statement to a client~~ 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 ~~every month~~ for each one-month period.

(3.1) (repealed)

~~(4) A statement delivered under subsection (1), (2), (3), or (3.1) must include all of the following information for each transaction made for the client or security holder during the period covered by the statement.~~  
If a registered dealer or registered adviser made a transaction for a client during the period covered by a statement delivered under subsections (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;
- (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) A statement delivered under subsection (1), (2), (3), or (3.1) must include all of the following information about the client's or security holder's account as at the end of the period for which the statement is made.~~  
If a registered dealer or registered adviser holds securities owned by a client in an account of the client, a statement delivered under subsections (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) [determining market value];
- (c) the total market value of each security position in the account;
- (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 covered 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.

(6) (repealed)

(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.

*The following sections come into force on July 15, 2015:*

**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) [determining market value];
- (c) the total market value of each security position;

- (d) any cash balance in the account;
- (e) the total market value of all of the cash and securities;
- (f) the name of the party that holds or controls each security and a description of the way it is held;
- (g) whether the securities are covered under an investor protection fund approved or recognized by the securities regulatory authority and, if they are, the name of the fund;
- (h) which of the securities might be subject to a deferred sales charge if they are sold.

(3) If subsection (1) applies to a registered dealer or a registered adviser, the dealer or adviser must deliver a statement that includes the information in subsection (2) to a client at least once every 3 months, except that if a client has requested to receive statements on a monthly basis, the adviser must deliver a statement to the client every month.

(4) If subsection (1) applies to a registered dealer or a registered adviser that is also required to deliver a statement to a client under subsection 14.14(1) or (3), a statement delivered under subsection (1) must be delivered to the client in one of the following ways:

- (a) combined with a statement delivered to the client under subsection 14.14(1) or (3) for the period ending on the same date;
- (b) as a separate document accompanying a statement delivered to the client under subsection 14.14(1) or (3) for the period ending on the same date;
- (c) as a separate document delivered within 10 days after the statement delivered to the client under subsection 14.14(1) or (3) for the period ending on the same date.

(5) For the purposes of this section, a security is considered to be held for a client by a party other than the registered firm if any of the following apply:

- (a) the other party is the registered owner of the security as nominee on behalf of the client;
- (b) ownership of the security is recorded on the books of its issuer in the client's name;
- (c) the other party has physical possession of a certificate evidencing ownership of the security;
- (d) the client has physical possession of a certificate evidencing ownership of the security.

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

individual.

#### **14.14.2 Position cost information**

(1) If a registered dealer or registered adviser is required to deliver a statement to a client that includes information required under subsection 14.14(5) [account statements] or 14.14.1(2) [additional statements], the dealer or adviser must deliver the information referred to in subsection (2) to a client at least once every 3 months.

(2) The information delivered under subsection (1) must disclose the following:

(a) for each security position in the statement opened on or after July 15, 2015,

(i) the cost of the position, determined as at the end of the period for which the information under subsection 14.14(5) or 14.14.1(2) is provided, presented on an average cost per unit or share basis or on an aggregate basis, or

(ii) if the security position was transferred from another registered firm, the information referred to in subparagraph (i) or the market value of the security position as at the date of the position's transfer if it is also disclosed in the statement that it is the market value as of the transfer date, not the cost of the security position, that is being disclosed;

(b) for each security position in the statement opened before July 15, 2015,

(i) the cost of the position, determined as at the end of the period for which the information under subsection 14.14(5) or 14.14.1(2) is provided, presented on an average cost per unit or share basis or on an aggregate basis, or

(ii) the market value of the security position as at July 15, 2015 or an earlier date, if the same date and value are used for all clients of the firm holding that security and it is also disclosed in the statement that it is the market value as of that date, not the cost of the security position, that is being disclosed;

(c) the total cost of all of the security positions in the statement, determined in accordance with paragraphs (a) and (b);

(d) for each security position for which the registered firm reasonably believes it cannot determine the cost in accordance with paragraphs (a) and (b), disclosure of that fact in the statement.

(3) The cost of security positions required to be disclosed under subsection (2) must be either the book cost or the original cost and must be accompanied by the definition of "book cost" in section 1.1 or the definition of "original cost" in section 1.1, as applicable.

(4) The information delivered under subsection (1) must be delivered to the client in one of the following ways:

- (a) combined with a statement delivered to the client that includes the information required under subsection 14.14(5) or 14.14.1(2) for the period ending on the same date;
- (b) in a separate document accompanying a statement delivered to the client that includes information required under subsection 14.14(5) or 14.14.1(2) for the period ending on the same date;
- (c) in a separate document delivered within 10 days after a statement delivered to the client that includes information required under subsection 14.14(5) or 14.14.1(2) for the period ending on the same date.

(5) If the information under subsection (1) is delivered to the client in a separate document in accordance with paragraph (4)(c), the separate document must also include the following:

- (a) the market value of each security in the statement and, if applicable, the notification in subsection 14.11.1(2) [*determining market value*];
- (b) the total market value of each security position in the statement;
- (c) the total market value of all cash and securities in the statement.

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

#### **14.15 Security holder statements**

If there is no dealer or adviser of record for a security holder on the records of a registered investment fund manager, the investment fund manager must deliver to the security holder at least once every 12 months a statement that includes the following:

- (a) the information required under subsection 14.14(4) [*account statements*] for each transaction that the registered investment fund manager made for the security holder during the period;
- (b) the information required under subsection 14.14.1(2) [*additional statements*] for the securities of the security holder that are on the records of the registered investment fund manager;
- (c) the information required under section 14.14.2 [*position cost information*].

#### **14.16 Scholarship plan dealer statements**

Sections 14.14 [account statements], 14.14.1 [additional statements] and 14.14.2 [position cost information] do not apply to a scholarship plan dealer if both of the following apply:

- (a) the scholarship plan dealer is not registered in another dealer or adviser category;
- (b) the scholarship plan dealer delivers to a client a statement at least once every 12 months that provides the information required under subsections 14.14(4) and 14.14.1(2).

*The following sections come into force on July 15, 2016:*

**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 or fund facts document for each fund.”

(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) [account statements] 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) [additional statements] 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) [additional statements].

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

#### **14.18 Investment performance report**

(1) A registered firm must deliver an investment performance report to a client every 12 months, except that the first report delivered after a registered firm first makes a trade for a client may be sent within 24 months after that trade.

(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) [account statements] must be delivered in a separate report 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) [additional statements] must be delivered in the report for each of the client's accounts through which the securities were transacted.

(4) Subsections (2) and (3) do not apply if the registered firm provides a report 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 subsections 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) [additional statements].

(5) This section does not apply to

(a) a client's account that has existed for less than a 12-month period;

(b) a registered dealer in respect of a client's account in which the dealer executes trades only as directed by a registered adviser acting for the client; and

(c) a registered firm in respect of a permitted client that is not an individual.

(6) If a registered firm reasonably believes there are no securities of a client with respect to which information is required to be reported under subsection 14.14(5) [account statements] or

subsection 14.14.1(1) [additional statements] and for which a market value can be determined, the firm is not required to deliver a report to the client for the period.

#### **14.19 Content of investment performance report**

(1) An investment performance report required to be delivered under section 14.18 by a registered firm must include all of the following in respect of the securities referred to in a statement in respect of which subsections 14.14(1), (2) or (3) [account statements] or 14.14.1(1) [additional statements] apply:

- (a) the market value of all cash and securities in the client's account as at the beginning of the 12-month period covered by the investment performance report;
- (b) the market value of all cash and securities in the client's account as at the end of the 12-month period covered by the investment performance report;
- (c) the market value of all deposits and transfers of cash and securities into the client's account, and the market value of all withdrawals and transfers of cash and securities out of the account, in the 12-month period covered by the investment performance report;
- (d) subject to paragraph (e), the market value of all deposits and transfers of cash and securities into the client's account, and the market value of all withdrawals and transfers of cash and securities out of the account, since opening the account;
- (e) if the client's account was opened before July 15, 2015 and the registered firm reasonably believes market values are not available for all deposits, withdrawals and transfers since the account was opened, the following:
  - (i) the market value of all cash and securities in the client's account as at July 15, 2015;
  - (ii) the market value of all deposits and transfers of cash and securities into the account, and the market value of all withdrawals and transfers of cash and securities out of the account, since July 15, 2015;
- (f) the annual change in the market value of the client's account for the 12-month period covered by the investment performance report, determined using the following formula

$$\underline{A - B - C + D}$$

where

A = the market value of all cash and securities in the account as at the end of the 12-month period covered by the investment performance report;

B = the market value of all cash and securities in the account at the beginning of that 12-month period;

C = the market value of all deposits and transfers of cash and securities into the account in that 12-month period; and

D = the market value of all withdrawals and transfers of cash and securities out of the account in that 12-month period;

(g) subject to paragraph (h), the cumulative change in the market value of the account since the account was opened, determined using the following formula

$$\underline{A - E + F}$$

where

A = the market value of all cash and securities in the account as at the end of the 12-month period covered by the investment performance report;

E = the market value of all deposits and transfers of cash and securities into the account since account opening; and

F = the market value of all withdrawals and transfers of cash and securities out of the account since account opening;

(h) if the registered firm reasonably believes the market value of all deposits and transfers of cash and securities into the account since the account was opened or the market value of all withdrawals and transfers of cash and securities out of the account since the account was opened required in paragraph (g) is not available to the registered firm, the cumulative change in the market value of the account determined using the following formula

$$\underline{A - G - H + I}$$

where

A = the market value of all cash and securities in the account as at the end of the 12-month period covered by the investment performance report;

G = the market value of all cash and securities in the account as at July 15, 2015;

H = the market value of all deposits and transfers of cash and securities into the account since July 15, 2015; and

I = the market value of all withdrawals and transfers of cash and securities out of the account since July 15, 2015;

(i) the amount of the annualized total percentage return for the client's account calculated net of charges, using a money-weighted rate of return calculation method generally accepted in the securities industry;

(j) the definition of "total percentage return" in section 1.1 and a notification indicating the following:

(i) that the total percentage return in the investment performance report was calculated net of charges;

(ii) the calculation method used;

(iii) a general explanation in plain language of what the calculation method takes into account.

(2) The information delivered for the purposes of paragraph (1)(i) must be provided for each of the following periods:

(a) the 12-month period covered by the investment performance report;

(b) the 3-year period preceding the end of the 12-month period covered by the report;

(c) the 5-year period preceding the end of the 12-month period covered by the report;

(d) the 10-year period preceding the end of the 12-month period covered by the report;

(e) the period since the client's account was opened if the account has been open for more than one year before the date of the report or, if the account was opened before July 15, 2015 and the registered firm reasonably believes the annualized total percentage return for the period before July 15, 2015 is not available, the period since July 15, 2015.

(3) Despite subsection (2), if any portion of a period referred to in paragraphs (2)(b), (c) or (d) was before July 15, 2015, the registered firm is not required to report the annualized total percentage return for that period.

(4) Despite subsection (1), the information a scholarship plan dealer is required to deliver under section 14.18 [*investment performance report*] in respect of each scholarship plan in which a client has invested through the scholarship plan dealer is the following:

(a) the total amount that the client has invested in the plan as at the date of the investment performance report;

- (b) the total amount that would be returned to the client if, as at the date of the investment performance report, the client ceased to make prescribed payments into the plan;
- (c) a reasonable projection of future payments that the plan might pay to the client's designated beneficiary under the plan, or to the client, at the maturity of the client's investment in the plan;
- (d) a summary of any terms of the plan that, if not met by the client or the client's designated beneficiary under the plan, might cause the client or the designated beneficiary to suffer a loss of contributions, earnings or government contributions in the plan.

(5) The information delivered under section 14.18 [*investment performance report*] must be presented using text, tables and charts, and must be accompanied by notes in the investment performance report explaining

- (a) the content of the report and how a client can use the information to assess the performance of the client's investments; and
- (b) the changing value of the client's investments as reflected in the information in the report.

(6) If a registered firm delivers information required under this section in a report to a client for a period of less than one year, the firm must not calculate the disclosed information on an annualized basis.

(7) If the registered firm reasonably believes the market value cannot be determined for a security position, the market value must be assigned a value of zero in the calculation of the information delivered under subsection 14.18(1) and the fact that its market value could not be determined must be disclosed to the client.

#### **14.20 Delivery of report on charges and other compensation and investment performance report**

(1) A report under section 14.17 [*report on charges and other compensation*] and a report under section 14.18 [*investment performance report*] must include information for the same 12-month period and the reports must be delivered together in one of the following ways:

- (a) combined with a statement delivered to the client that includes information required under subsection 14.14(1), (2) or (3) [*account statements*], subsection 14.14.1(2) [*additional statements*] or section 14.16 [*scholarship plan dealer statements*];
- (b) accompanying a statement delivered to the client that includes information required under subsection 14.14(1), (2) or (3) [*account statements*], subsection

14.14.1(2) [additional statements] or section 14.16 [scholarship plan dealer statements];

(c) within 10 days after a statement delivered to the client that includes information required under subsection 14.14(1),(2) or (3) [account statements], subsection 14.14.1(2) [additional statements] or section 14.16 [scholarship plan dealer statements].

(2) Subsection (1) does not apply in respect of the first report under section 14.17 [report on charges and other compensation] and the first report under section 14.18 [investment performance report] for a client.