

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

CLIENT REPORTING (Rule 5.3) (Amendments to the Current Rule)

5.3 CLIENT REPORTING

5.3.1 Delivery of Account Statement

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- (a) Each Member shall, in a timely manner send an account statement to each client in accordance with the following minimum standards:
 - (i) once every 12 months for a client name account;
 - (ii) once a month for nominee name accounts of clients where there is an entry during the month and a cash balance or security position; and
 - (iii) quarterly for nominee name accounts where no entry has occurred in the account and there is a cash balance or security position at the end of the quarter.
- (b) A Member may not rely on any other person (including an Approved Person) to send account statements as required by this Rule.
- (c) Notwithstanding the provisions of 5.3.1(b), a Member may rely on the trustee administering a self-directed registered plan to send the account statement required by paragraph (a)(i) where the following conditions are met:
 - (i) The Member does not act as agent for the trustee for the registered plans;
 - (ii) The trustee meets the definition of “Acceptable Institution” as defined in Form 1;
 - (iii) There is a services agreement in place between the Member and the trustee which complies with the requirements of MFDA Rule 1.1.3 and provides that the trustee is responsible for sending account statements to clients of the Member that comply with the requirements of MFDA Rule 5;
 - (iv) There is clear disclosure about which trades are placed by the Member;
 - (v) Clear disclosure must be provided on the account statement regarding which securities positions referred to on the statement are eligible for coverage by the MFDA Investor Protection Corporation and which are not (once the Corporation is offering coverage);

- (vi) The Member's full legal name must appear on the account statement together with the name of the trustee; and
- (vii) The Member must receive copies of the statements, or have other systems in place, to ensure that the information contained on the statements matches its own information regarding the transactions it executes.
- (d) Notwithstanding the provisions of Rule 5.3.1(b), where a Member is affiliated with a fund manager and in connection with a specific client account is selling only the mutual fund securities of an issuer managed by such affiliated fund manager for that client account, the Member may rely on the affiliated fund manager to send the account statement required by paragraph (a)(i) for that specific account.

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5.3.2 **Automatic Payment Plans.** Notwithstanding the provisions of Rule 5.3.1(a)(ii), where a Member holds client assets in nominee name and the only entry in the client's account in a month relates to the client's participation in:

- (a) any automatic payment plan that provides for systematic trading in the securities of a mutual fund on a monthly or more frequent basis, or
 - (b) other automatic entries such as dividends and reinvested distributions,
- the Member shall send an account statement to the client quarterly.

5.3.3 **Content of Account Statement.** Each account statement must contain the following information:

- (a) for nominee name accounts or accounts where the Member acts as an agent for the trustee for the purposes of administering a self-directed registered retirement savings or similar plan:
 - (i) the opening balance;
 - (ii) all debits and credits;
 - (iii) the closing balance;
 - (iv) the quantity and description of each security purchased, sold or transferred and the dates of each transaction, and;
 - (v) the quantity, description and market value of each security position held for the account;
- (b) for client name accounts:
 - (i) all debits and credits;
 - (ii) the quantity and description of each security purchased, sold or transferred and the dates of each transaction; and
 - (iii) for automatic payment plan transactions, the date the plan was initiated, a description of the security and the initial payment amount made under the plan.

- (c) for all accounts:
 - (i) the type of account;
 - (ii) the account number;
 - (iii) the period covered by the statement;
 - (iv) the name of the Approved Person(s) servicing the account, if applicable; and
 - (v) the name, address and telephone number of the Member.

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5.3.4 **Member Business Only.** Only transactions executed by the Member may appear on the statement of account required pursuant to Rule 5.3.3.

5.3.5 **Account Performance Reporting.** The Member must provide information to clients on an annual basis with respect to the performance of the client's account at the Member.

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- (a) Subject to paragraphs (b) and (c), the account performance reporting must include the following information for the annual period:
 - (i) the total market value of the account as at the start of the period covered by the report;
 - (ii) total assets deposited to the account during the period covered by the report;
 - (iii) total assets withdrawn from the account during the period covered by the report;
 - (iv) the total market value of the account as at the end of the period covered by the report;
 - (v) gain or loss in the account as at the end of the period covered by the report.
- (b) Notwithstanding the provisions of paragraph (a), where market values cannot be readily and reliably determined by the Member in respect of security positions held in the account, such values shall not be included in the report and the Member must disclose to the client in the report the security positions for which values have not been included and why the information has not been included in the report.
- (c) A Member need not send the information contained in paragraph (a) where the Member sends a client communication that contains an annualized percentage rate of return for the client's account in accordance with the requirements of Rule 2.8.3.

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