



MFDA POLICY NO. 7

PERFORMANCE REPORTING

Purpose

Under Rule 5.3.4 (Performance Report), Members are required to deliver a performance report to a client. The purpose of this Policy is to set out additional requirements that Members must comply with when meeting requirements under MFDA Rules respecting the performance report.

General Requirements

- (1) The performance report required under Rule 5.3.4 must be delivered in a separate report for each account of the client;
- (2) Notwithstanding subsection (2), a Member may provide a performance report that consolidates, into a single report, the required information for more than one of a client's accounts if:
 - (a) the client has consented in writing; and
 - (b) the consolidated report specifies which accounts it consolidates.
- (3) Where a consolidated performance report is sent to a client, pursuant to subsection (2), above and a consolidated report on charges and other compensation is sent to the client pursuant to Rule 5.3.3(3), both consolidated reports must consolidate information for the same accounts.
- (4) The requirement to provide a performance report, as prescribed under Rule 5.3.4, does not apply to a client account that has existed for less than a 12-month period.
- (5) If a Member reasonably believes there are no investments of a client for which a market value can be determined, the Member is not required to deliver a report to the client for the period.

Content of Performance Report

- (1) A performance report required to be delivered under Rule 5.3.4 must include all of the following in respect of investments reported on the account statement required to be delivered under Rule 5.3.1:
 - (a) the market value of all cash and investments in the client's account as at the beginning of the 12-month period covered by the report;

- (b) the market value of all cash and investments in the client's account as at the end of the 12-month period covered by the report;
- (c) the market value of all deposits and transfers of cash and investments into the client's account, and the market value of all withdrawals and transfers of cash and investments out of the account, in the 12-month period covered by the report;
- (d) subject to ~~paragraph subsection~~ 1(e), the market value of all deposits and transfers of cash and investments into the client's account, and the market value of all withdrawals and transfers of cash and investments out of the account, since opening the account;
- (e) if the client's account was opened before July 15, 2015 and the Member 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 investments in the client's account as at July 15, 2015;
 - (ii) the market value of all deposits and transfers of cash and investments into the account and the market value of all withdrawals and transfers of cash and investments out of the account, since July 15, 2015;
 - (iii) notwithstanding the provisions of (1)(e)(i) and (ii) above, an earlier date may be used to comply with requirements under (1)(e), if the same date and value are used for all clients of the Member holding that investment and it is also disclosed in the performance report that it is the market value as of that date, not the cost of the security position, that is being disclosed.

Annual Change in Market Value

- (f) the annual change in the market value of the client's account for the 12-month period covered by the performance report, determined using the following formula:

$$A - B - C + D$$

where

- A** = the market value of all cash and investments in the account as at the end of the 12-month period covered by the performance report;
- B** = the market value of all cash and investments in the account at the beginning of that 12-month period;
- C** = the market value of all deposits and transfers of cash and investments into the account in that 12-month period; and
- D** = the market value of all withdrawals and transfers of cash and investments out of the account in that 12-month period.

Cumulative Change in Market Value

- (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:

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

where

- A** = the market value of all cash and investments in the account as at the end of the 12-month period covered by the performance report;
- E** = the market value of all deposits and transfers of cash and investments into the account since account opening; and
- F** = the market value of all withdrawals and transfers of cash and investments out of the account since account opening.

- (h) if the Member reasonably believes the market value of all deposits and transfers of cash and investments into the account since the account was opened or the market value of all withdrawals and transfers of cash and investments out of the account since the account was opened, as required in ~~paragraph subsection~~(g), is not available to the Member, the cumulative change in the market value of the account determined using the following formula:

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

where

- A** = the market value of all cash and investments in the account as at the end of the 12-month period covered by the performance report;
- G** = the market value of all cash and investments in the account as at July 15, 2015;
- H** = the market value of all deposits and transfers of cash and investments into the account since July 15, 2015; and
- I** = the market value of all withdrawals and transfers of cash and investments out of the account since July 15, 2015.

Annualized Total Percentage Return

- (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" set out under Rule 5.3(1) and a notification indicating the following:

- (i) that the total percentage return in the performance report was calculated net of charges;
- (ii) the calculation method used; and
- (iii) a general explanation in plain language of what the calculation method takes into account.

Annualized Total Percentage Return – Reporting Periods

- (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 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 Member 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 Member is not required to report the annualized total percentage return for that period.

Presentation

- (4) The information required to be delivered under Rule 5.3.4 must be presented using text, tables and charts and must be accompanied by notes in the 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.
- (5) If a Member delivers information required under Rule 5.3.4 in a report to a client for a period of less than one year, the Member must not calculate the disclosed information on an annualized basis.
- (6) If a Member reasonably believes the market value cannot be determined for an investment position, the market value must be assigned a value of zero in the calculation

of the information required to be delivered under Rule 5.3.4 and the fact that its market value could not be determined must be disclosed to the client.

DM#367896v6