

2.8 CLIENT COMMUNICATIONS

2.8.3 Rates of Return

(a) In addition to complying with the requirements in Rule 2.8.2, any client communication, other than the investment performance report required under Rule 5.3.4, containing or referring to a rate of return regarding a specific account or group of accounts must:

(i) disclose an annualized rate of return calculated in accordance with standard industry practices; and

(ii) explain the methodology used to calculate such rate of return in sufficient detail and clarity to reasonably permit the client to understand the basis for the rate of return.

(b) In addition to complying with the requirements in Rule 2.8.2 and Rule 2.8.3(a), any client communication containing or referring to a rate of return regarding a specific account or group of accounts that is provided by an Approved Person must be approved and supervised by the Member.

~~(c) Notwithstanding the provisions of paragraphs (a) and (b), where an account has been open for less than 12 months, the rate of return shown must be the total rate of return since account opening.~~

5.3 CLIENT REPORTING

(1) **Definitions.** For the purpose of client reporting requirements under Rule 5.3

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

(b) “connected issuer” has the same meaning as in section 1.1 of National Instrument 33-105 *Underwriting Conflicts*;

(c) “cost” for each investment position in the account means either “book cost” or “original cost”, provided that only one cost calculation methodology, either “book cost” or “original cost,” is used for all positions;

(i) **Investment Positions Opened before July 15, 2015.** For investment positions opened before July 15, 2015, cost, as determined in accordance with subsection 5.3(1)(c), above; or the market value of the investment position as at July 15, 2015 or an earlier date, if the same date and value are used for all clients of the Member holding that investment and it is also disclosed in the account statement that it is the market value as of that date, not the cost of the investment position, that is being disclosed.

- (ii) **Investment Positions Transferred In.** For investment positions transferred into an account at the Member, cost as determined in accordance with subsection 5.3(1)(c), above; or the market value of the investment position as at the date of the position's transfer if it is also disclosed in the account statement that it is the market value as of the transfer date, not the cost of the investment position, that is being disclosed.
- (iii) **Where Cost Not Determinable.** Where a Member reasonably believes that it cannot determine cost in respect of an investment position, the Member must provide disclosure of that fact in the statement.
- (d) "investment" means any asset, excluding cash, held or transacted in an account of the Member;
- (e) "marketplace" has the same meaning as in section 1.1 of National Instrument 21-101 Marketplace Operation;
- (f) "market value" of a security has the meaning given to it under MFDA Form 1 Financial Questionnaire and Report;
- (g) "operating charge" means any amount charged to a client by a Member 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;
- (h) "original cost" means the total amount paid to purchase an investment, including any transaction charges related to the purchase;
- (i) "related issuer" has the same meaning as in section 1.1 of National Instrument 33-105 Underwriting Conflicts;
- (j) "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;
- (k) "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 Member or Approved Person by any party;
- (l) "transaction charge" means any amount charged to a client by a Member and includes any federal, provincial or territorial sales taxes paid on that amount.

5.3.1 Delivery of Account Statement. Each Member shall, in a timely manner, send an account statement to each client at least once every three months.

~~in accordance with the following minimum standards:~~

- ~~(i) at least once every 3 months for a client name account; and~~
- ~~(ii) at least once every 3 months for a nominee name account.~~

~~(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.~~

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

- (a) **General Information.**
 - (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;

- (v) the name, address and telephone number of the Member; and
- (vi) as applicable, the definition of “book cost” or “original cost”, as set out under Rules 5.3(1)(a) and (h).

(b) Account Activity.

for each transaction made for or in respect of the client, in an account at the Member, during the period covered by the statement:

- (i) the date of the transaction;
- (ii) the type of transaction;
- (iii) the total value of the transaction;

for each transaction that is a purchase, sale or transfer made for the client, in an account at the Member, during the period covered by the statement:

- (iv) the name of the investments;
- (v) the number of investments; and
- (vi) the price per investment.

(c) Market Value and Cost Reporting.

for all investments in an account at the Member:

- (i) as at the beginning of the period for which the statement is made:

(A) the total market value of all cash and investments in the account; and

- (ii) as at the end of the period for which the statement is made:

(A) the name and quantity of each investment in the account;

(B) the market value of each investment in the account and, if applicable, a notification to the client that there is no active market for the investment and that its value has been estimated. Where a value cannot be reliably determined, the Member must include the following notification or a notification that is substantially similar: “*Market value not determinable.*”

(C) the cost of each investment position presented on an average cost per unit or share basis or on an aggregate basis, and determined as at the end of the applicable period;

(D) the total cost of all investment positions;

(E) the total market value of each investment position in the account;

(F) any cash balance in the account;

(G) the total market value of all cash and investments in the account; and

(H) the name of the party that holds or controls each investment and a description of the way it is held.

(d) **Deferred Sales Charges.** Each account statement must disclose which securities may be subject to deferred sales charges if they are sold.

(e) **MFDA IPC Coverage.** Each account statement must include disclosure, as established by the MFDA IPC, respecting MFDA IPC coverage.

~~(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.~~

~~5.3.3 Member Business Only. Only transactions executed by the Member may appear on the statement of account required pursuant to Rule 5.3.2.~~

5.3.3 Report on Charges and Other Compensation.

(1) Content of Report on Charges and Other Compensation. For each 12 month period, a Member 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 Member'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 subsection (b) and the transaction charges reported under subsection (c);
- (e) if the Member 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 Member applied on the purchases or sales of debt securities;
 - (ii) the total amount of any commissions charged to the client by the Member on the purchases or sales of debt securities and, if the Member 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) the total amount of each type of payment, other than a trailing commission, that is made to the Member or any of its Approved Persons 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;

- (g) if the Member 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) The information required to be reported under subsection 5.3.3(1) must be delivered in a separate report on charges and other compensation for each account of the client;
- (3) A Member may provide 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 if the following apply:
- (a) the client has consented in writing; and
 - (b) the consolidated report specifies which accounts it consolidates.
- (4) **Consolidated Reporting for Same Accounts.** Where a consolidated report on charges and other compensation is sent to the client pursuant to Rule 5.3.3(3) and a consolidated performance report is sent to the client pursuant to Policy No. 7 (Performance Reporting), General Requirements, subsection (2), both consolidated reports must consolidate information for the same accounts.
- (5) **Disclosure of Compensation Not Reported.** Where a Member receives compensation or other payments in respect of an investment that is not a security, during the period covered by the report, the Member must either:
- (i) disclose the information required under Rule 5.3.3(1) in respect of the investment;
or
 - (ii) indicate that compensation or payments received related to the investment have not been included in the report on charges and compensation being provided to the client.

5.3.4 Performance Report.

A Member must deliver a performance report, in respect of all investments required to be reported under Rule 5.3.2, to a client every 12 months, except that the first report delivered after a Member first makes a trade or transfer for a client may be sent within 24 months after that trade or transfer. The performance report must include:

- (i) the annual change in the market value of the client's account for the 12-month period covered by the report;
- (ii) the cumulative change in the market value of the account, since the account was opened;
- (iii) 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, provided for 1, 3, 5 and 10 year periods and since account inception; and

must otherwise meet the requirements set out under Policy No. 7 (Performance Reporting).

5.3.5 Delivery of Report on Charges and Other Compensation and Performance Report.

(1) A report under Rule 5.3.3 – Report on Charges and Other Compensation and a report under Rule 5.3.4 – 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 the account statement required to be delivered under Rule 5.3.1;
- (b) accompanying the account statement required to be delivered under Rule 5.3.1; or
- (c) within 10 days after the delivery of the account statement required to be delivered under Rule 5.3.1.

(2) Subsection (1) does not apply in respect of the first report under Rule 5.3.3 – Report on Charges and other Compensation and the first report under Rule 5.3.4 – Performance Report for a client.

5.3.6 Exempt Market Dealers and Scholarship Plan Dealers – Client Reporting. Where a Member is also registered as:

- (a) an exempt market dealer, and a client has purchased a security from the Member that is sold pursuant to an exemption under securities legislation; or
- (b) as a scholarship plan dealer, and a client has invested in a scholarship plan through the Member,

the Member must comply with any additional client reporting requirements applicable to exempt

market dealers and scholarship plan dealers, as set out under securities legislation.

5.4 TRADE CONFIRMATIONS

5.4.1 Delivery of Confirmations. Every Member who has acted as principal or agent in connection with any trade in a security shall promptly send by prepaid mail or deliver to the client a written confirmation of the transaction containing the information required under Rule 5.4.3.

The Member need not send to its client a written confirmation of a trade in a security of a mutual fund where the manager of the mutual fund sends the client a written confirmation containing the information required to be sent under Rule 5.4.3.

5.4.2 Automatic Plans. Where a transaction relates to a client's participation in an automatic plan that provides for systematic trading in the securities of a mutual fund on a monthly or more frequent basis, and the Member registers the mutual funds pursuant to the plan, the Member is required to send a trade confirmation for the initial transaction only.

5.4.3 Content. Every confirmation of trade sent to a client must set forth the following information:

(a) the quantity and description of the security purchased or sold;

(b) the price per security paid or received by the client/share or unit at which the trade was effected;

(c) in the case of a purchase of a debt security, the security's annual yield;

(d) 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 Member applied to the transaction;

(ii) the total amount of any commission charged to the client by the Member and, if the Member 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."

(e) 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;

~~(e) the consideration;~~

~~(f)~~ (f) the name of the Member;

(ge) whether or not the Member is acting as principal or agent;

(hf) if acting as agent, the name of the person or company from or to or through whom the security was bought or sold;

(i) the date and 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;

(je) the type of the account through which the trade was effected;

~~(h) the commission, if any, charged in respect of the trade;~~

~~(i) the amount deducted by way of sales, service and other charges;~~

~~(j) the amount, if any, of deferred sales charges;~~

(kk) the name of the Approved Person, if any, involved in the transaction;

(ll) the date of the trade; ~~and~~

(mm) the settlement date of the transaction; and-

(n) if applicable, that the security was issued by a related or connected issuer of the Member. This information is not required to be provided where the names of the Member and the mutual fund are sufficiently similar to indicate that they are affiliated or related.

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