

## APPENDIX B

### PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS

The proposed amendments in sections 5(l), 13, 16(a), 16(c), 18, and 19 of the amending instrument below are proposed to come into force at dates later than the implementation date for the other proposed amendments. Please refer to section 20. This text box does not form part of the amending instrument.

1. ***National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.***
2. ***Section 1.1 is amended by***
  - (a) ***adding the following before the definition of “Canadian financial institution”:***

“book cost” means the total amount paid for a security, including any transaction charge related to purchasing the security, adjusted for reinvested distributions, returns of capital, and corporate reorganizations;
  - (b) ***adding the following after the definition of “mutual fund dealer”:***

“operating charge” means any amount charged to a client by a registered firm in respect of the operation, transfer or termination of an account of the client and includes any sales taxes paid on any of these amounts; **and**
  - (c) ***adding the following after the definition of “subsidiary”:***

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

“trailing commission” means any ongoing payment to a registered firm in respect of a security purchased for a client that is paid out of a management fee or other charge to the investment; **and**

“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 sales taxes paid on any of these amounts;
3. ***The title of Division 1 of Part 14 is replaced with “Investment fund managers”.***
4. ***Section 14.1 is amended:***
  - (a) ***by replacing “sections” with “subsection (2), section”;***
  - (b) ***by adding “subsection” before “14.12(5)”;***
  - (c) ***by adding “section” before “14.14”;***
  - (d) ***by replacing “[account statements]” with “[client statements and security holder statements]”;***
  - (e) ***by renumbering it as subsection 14.1(1) and by adding the following after subsection (1):***
    - (2) An investment fund manager for an investment fund, in which a client of a registered dealer or registered adviser has invested, must provide the dealer or adviser with the information concerning charges deducted from the net asset value of securities upon their redemption, 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 14.15(1)(h).
5. ***Subsection 14.2 (2) is amended***

- (a) **by adding** “Without limiting subsection (1),” **before the word** “information”;
- (b) **by deleting the words** “required to be”;
- (c) **by adding** “that” **before the word** “subsection”;
- (d) **by replacing** “(1) includes all of” **with** “must include”;

- (e) **in paragraph (b) by replacing** “discussion that identifies” **with** “general description of” **and by replacing** “a client” **with** “the client”;
- (f) **in paragraph (c) by adding** “general” **before** “description”;
- (g) **by replacing paragraph (f) with the following:**
  - (f) disclosure of the operating charges the client may pay related to the account;
- (h) **by replacing paragraph (g) with the following:**
  - (g) a general description of the types of transaction charges the client may be required to pay;
- (i) **in paragraph (h) by adding** “general” **before** “description”, **by replacing** “the compensation” **with** “any compensation”, **and by adding** “by any other party” **before** “in relation to”;
- (j) **in paragraph (j) by adding** “[dispute resolution service]” **after** “13.16” **and replacing** “registered firm’s expense” **with** “firm’s expense”;
- (k) **in paragraph (l) by replacing** “.” **with** “,” **at the end of the paragraph; and**
- (l) **by adding the following after paragraph (l):**
  - (m) a general description of investment performance benchmarks and the factors that should be considered by a client when comparing actual returns in the client’s account to benchmark returns, and any options for benchmark information that may be made available to clients by the registered firm; **and**
  - (n) if the registered firm is a scholarship plan dealer, a specific description of any terms of any scholarship plan offered to a client by the scholarship plan dealer 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.

**6. Subsection 14.2(3) is amended:**

- (a) **by deleting the words** “to a client” **after** “must deliver”; **and**
- (b) **by replacing** “subsection (1)” **with** “subsection (1), if appropriate, and paragraphs (2)(a) and (c) to (n) to the client in writing, and the information in paragraph (2)(b) orally or in writing,”.

**7. Subsection 14.2(4) is amended:**

- (a) **by replacing** “to” **after** “significant change” **with** “in respect of”,
- (b) **by replacing** “subsection” **with** “subsections”,
- (c) **by adding** “(2) or (5)” **after** “(1)”, **and**
- (d) **by adding** “.” **after** “next”.

**8. Paragraph 14.2(4)(a) is amended by replacing** “,” **with** “.”.

**9. Subsection 14.2(5) is replaced with**

- (5) Except as provided in subsection (5.1), this section does not apply to a dealer in respect of a client for whom the dealer only purchases or sells securities as directed by a registered adviser acting for the client.

**10. Section 14.2 is amended by adding the following after subsection 14.2(5):**

**(5.1)** If subsection (5) applies, the dealer must deliver the information required under paragraphs (2)(a) and (e) to (j) to a client in writing, and the information in paragraph (2)(b) orally or in writing, before the firm first purchases or sells a security for the client.

**11. Subsection 14.2(6) is replaced with:**

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

**12. Section 14.2 is amended by adding the following after subsection 14.2(6):**

**(7)** 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 by the firm to the client at least 60 days before the date on which the new or increased charge would first become applicable in respect of the client's account.

**13. Division 2 of Part 14 is amended by adding the following section:**

**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 of the amount if the actual amount of the charges is not known to the firm at the time,
- (b) in the case of a purchase to which deferred charges may 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 only purchases or sells securities as directed by a registered adviser acting for the client.

**14. The title of Division 5 of Part 14 is replaced with "Reporting to clients".**

**15. Part 14 is amended by adding the following after the title of Division 5:**

**14.11.1 Determining market value**

**(1)** For the purposes of this Division, the market value of a security

- (a) other than an investment fund which is not listed on an exchange or a commodity futures contract, is the amount that a registered firm reasonably believes to be a reliable 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 last trading day prior to the relevant date, subject to 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 last trading day prior to the relevant date, subject to adjustments considered by the registered firm to be necessary to accurately reflect the market value;
  - (iii) if no reliable price for the security can be determined in accordance with subparagraphs (i) or (ii), after applying a valuation policy that is consistently applied, includes procedures to assess the reliability of valuation inputs and assumptions, and
    - (A) uses inputs that are observable, or

(B) if observable inputs are not reasonably available, uses unobservable inputs and assumptions;

(b) that is 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 or the last trading day prior to the relevant date;

(c) that is a commodity futures contract must be determined by reference to the settlement price on the relevant date or last trading day prior to the relevant date.

(2) If a registered firm determines the market value of a security in accordance with subparagraph (1)(a)(iii), when it refers to the value in a client statement under section 14.14 [*client statements and security holder 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 value.”*

(3) If a registered firm does not believe it can reasonably determine a reliable market value for a security, the market value of the security must be reported in a client statement or security holder statement delivered under section 14.14 [*client statements and security holder statements*] and in an investment performance report delivered under section 14.16 [*investment performance report*] as not determinable, and the security must be excluded from the calculations in paragraphs 14.14(5)(b) and 14.14(5.2)(b) and subsection 14.17(1) [*content of investment performance report*].

**16. Subsection 14.12(1) is amended:**

**(a) by inserting the following after paragraph (b):**

(b.1) in the case of a purchase of a fixed income security, the security’s annual yield;

**(b) by replacing paragraph (c) with:**

(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;

**(c) by inserting the following after paragraph (c):**

(c.1) in the case of a purchase of a fixed income security, the total amount of compensation paid to dealing representatives out of the price paid by the client and the following notification or a notification that is substantially similar:

*“Dealer firm compensation may have been added to the price of this security. This amount was in addition to any commission this trade confirmation shows was paid to individual dealing representatives”; and*

(c.2) in the case of a sale of a fixed income security, the total amount of compensation paid to dealing representatives out of the price received by the client and the following notification or a notification that is substantially similar:

*“Dealer firm compensation may have been deducted from the price of this security. This amount was in addition to any commission this trade confirmation shows was paid to individual dealing representatives”;*

**(d) in paragraph (f) by adding “, involved” before “in the transaction”; and**

**(e) in paragraph (h) by replacing “security of” with “security issued by” wherever it occurs and by replacing “registrant” with “registered dealer” wherever it occurs.**

**17. Section 14.14 is replaced with:**

**14.4 Client statements and security holder statements**

**(1)** A registered dealer must deliver a client statement that includes the information in subsection (5) and if applicable, subsection (6) to a client at least once every 3 months.

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

(a) the client has requested receiving 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.

**(3)** 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 paragraph 7.1(2)(b) [*dealer categories*].

**(4)** A registered adviser must deliver a client statement that includes the information in subsection (5) and, if applicable, subsection (6) to a client at least once every 3 months, except that if the client has requested receiving statements on a monthly basis, the adviser must deliver a statement to the client at the end of the month.

**(5)** If a registered dealer or registered adviser made a transaction for a client during the period covered by a client statement delivered under subsection (1), (2) or (4), the client statement must include the following:

- (a) the date of the transaction;
- (b) the type of transaction;
- (c) the name of the security;
- (d) the number of securities;
- (e) the price per security;
- (f) the total value of the transaction;
- (g) if the transaction was a purchase for the client, the party that held the security when the transaction was completed and how it was held.

**(6)** If a registered dealer or registered adviser holds securities owned by a client in an account of the client, a client statement delivered under subsection (1), (2) or (4) must indicate that the securities are held for the client by the registered firm and must include the following information about the 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) which securities in the account may be subject to a deferred sales charge if they are sold;
- (g) 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 fund.

**(7)** 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 required under subsections (5) and (6).

**(8)** 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 security holder statement that includes the following:

- (a) the information required under subsection (9) about each transaction that the registered investment fund manager made for the security holder during the period;
- (b) the information required under subsection (10) about the securities of the security holder that are on the records of the registered investment fund manager.

**(9)** For purposes of paragraph (8)(a), the security holder statement must include the following:

- (a) the date of the transaction;
- (b) the type of transaction;

- (c) the name of the security;
- (d) the number of securities;
- (e) the price per security;
- (f) the total value of the transaction.

**(10)** For purposes of paragraph (8)(b), the security holder statement must include the following 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;
- (c) the total market value of each security position;
- (d) the total market value of all the securities;
- (e) which securities may be subject to a deferred sales charge if they are sold;
- (f) whether the account is covered under an investor protection fund approved or recognized by the securities regulatory authority and the name of the fund.

**18. Section 14.14 is replaced with:**

**14.14 Client statements and security holder statements**

**(1)** A registered dealer must deliver a client statement that includes the information in subsection (5) and if applicable, subsections (6) and (6.1) to a client at least once every 3 months.

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

- (a) the client has requested receiving 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.

**(3)** 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 paragraph 7.1(2)(b) [*dealer categories*].

**(4)** A registered adviser must deliver a client statement that includes the information in subsection (5) and, if applicable, subsections (6) and (6.1) to a client at least once every 3 months, except that if the client has requested receiving statements on a monthly basis, the adviser must deliver a statement to the client at the end of the month.

**(5)** If a registered dealer or registered adviser made a transaction for a client during the period covered by a client statement delivered under subsection (1), (2) or (4), the client statement must include the following:

- (a) the date of the transaction;
- (b) the type of transaction;
- (c) the name of the security;
- (d) the number of securities;
- (e) the price per security;

- (f) the total value of the transaction;
- (g) if the transaction was a purchase for the client, the party that held the security when the transaction was completed and how it was held.

**(6)** If a registered dealer or registered adviser holds securities owned by a client in an account of the client, a client statement delivered under subsection (1), (2) or (4) must indicate that the securities are held for the client by the registered firm and must include the following information about the 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;
- (e.1) for each security position opened in the account after [implementation date], the book cost of the position presented on an average cost per unit or share basis or on an aggregate basis or, if the security position was transferred from an account of another registered firm, the registered firm may use the market value of the security position as at the date of its transfer if that fact is disclosed to the client in the statement;
- (e.2) for each security position opened in the account before [implementation date], the book cost of the position presented on an average cost per unit or share basis or on an aggregate basis or, if the same date and value are used for all clients of the firm holding that security and that fact is disclosed to the client in the statement, the registered firm may use the market value of the security position as at [implementation date] or an earlier date;
- (e.3) the total book cost of all of the security positions;
- (e.4) for each security position for which the registered firm does not reasonably believe it can determine a reliable book cost, disclosure of that fact in the statement;
- (e.5) which securities in the account may be subject to a deferred sales charge if they are sold;
- (e.6) 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 fund.

**(6.1)** If any of the following apply in respect of a security owned by a client that is held by a party other than the registered dealer or registered adviser, a client statement delivered under subsection (1), (2) or, (4) must include the information referred to in subsection (6.2):

- (a) the registered firm has trading authority over the security or the account of the client in which the security is held or was transacted;
- (b) the registered firm receives continuing payments related to the client's ownership of the security from the issuer of the security, the investment fund manager of the security or any other party;
- (c) the security is 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 was purchased for the client by the registered firm.

**(6.2)** If any of the circumstances set out in subsection (6.1) apply, a client statement delivered under subsection (1), (2) or (4) must include the following in respect of the securities referred to in subsection (6.1), 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) the total market value of all of the securities;
- (e) for each security position opened after [implementation date], the book cost of the position presented on an average cost per unit or share basis or on an aggregate basis or, if the security position was transferred from another registered firm, the registered firm may use the market value of the security position as at the date of its transfer if that fact is disclosed to the client in the statement;
- (f) for each security position opened before [implementation date], the book cost of the position presented on an average cost per unit or share basis or on an aggregate basis or, if the same date and value is used for all clients of the firm holding that security and that fact is disclosed to the client in the statement, the registered firm may use the market value of the security position as at [implementation date] or an earlier date
- (g) the total book cost of all of the security positions;
- (h) for each security position for which the registered firm does not reasonably believe it can determine a reliable book cost, disclosure of that fact in the statement;
- (i) the name of the party that holds each security and a description of the way it is held;
- (j) which of the securities may be subject to a deferred sales charge if they are sold.

**(6.3)** In this section,

- (a) a security is held by a registered firm for a client if it is held in either of the following ways:
  - (i) the firm is the registered owner as nominee on behalf of the client;
  - (ii) the firm has physical possession of a certificate evidencing ownership of the security.
- (b) a security is held for a client by a party other than the registered firm if any of the following apply:
  - (i) the other party is the registered owner as nominee on behalf of the client;
  - (ii) ownership of the security is recorded on the books of its issuer in the client's name;
  - (iii) the other party has physical possession of a certificate evidencing ownership of the security;
  - (iv) the client has physical possession of a certificate evidencing ownership of the security.

**(7)** 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 required under subsections (5), (6) and (6.1).

**(7.1)** A client statement delivered under subsections (1), (2), or (4) must present the information required under subsections (5), (6) and (6.1) in separate sections.

**(7.2)** If a registered dealer or registered adviser is required to provide a client statement under subsection (1), (2) or (4) in respect of more than one account of a client, the information specified in subsection (6.2) must be included in the statement for the account through which the securities were transacted.

**(8)** 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 security holder statement that includes the following:

- (a) the information required under subsection (9) about each transaction that the registered investment fund manager made for the security holder during the period;
- (b) the information required under subsection (10) about the securities of the security holder that are on the records of the registered investment fund manager.

**(9)** For purposes of paragraph (8)(a), the security holder statement must include the following:

- (a) the date of the transaction;
- (b) the type of transaction;
- (c) the name of the security;
- (d) the number of securities;
- (e) the price per security;
- (f) the total value of the transaction.

**(10)** For purposes of paragraph (8)(b), the security holder statement must include the following 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;
- (c) the total market value of each security position;
- (d) the total market value of all the securities;
- (d.1) the book cost of each security position presented on an average cost per unit or share basis, or on an aggregate basis;
- (d.2) the total book cost of all of the security positions;
- (d.3) for each security position for which the registered firm does not reasonably believe it can determine a reliable book cost, disclosure of that fact in the statement;
- (d.4) which securities may be subject to a deferred sales charge if they are sold;
- (d.5) whether the account is covered under an investor protection fund approved or recognized by the securities regulatory authority and the name of the fund.

**(11)** A client or security holder statement delivered under subsections (1), (2), (4) or (8) must include the definition of "book cost" in section 1.1 where that term is first used in the statement.

**19. Division 5 of Part 14 is amended by adding the following after section 14.14:**

**14.15 Report on charges and other compensation**

**(1)** A registered firm must deliver a report on charges and other compensation containing the following information to a client every 12 months:

- (a) the registered firm's current operating charges which may be applicable to the client's account;
- (b) the total amount of each type of operating charge related to the account paid by the client during the period covered by the report, and the aggregate 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 to the firm during the period covered by the report, and the aggregate 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) the total amount of compensation paid to dealing representatives of the firm out of the price of fixed income securities purchased or sold for the client during the period covered by the report, and the following notification or a notification that is substantially similar:

*"For some of the fixed income securities purchased or sold for you during the period covered by this report, dealer firm compensation may have been included in the price you paid (in the case of a purchase) or deducted from the price you received (in the case of a sale). These amounts were in addition to any commissions this report shows paid to individual dealing representatives";*

- (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 to the registered firm or any of its registered individuals by any person or company in relation 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 in connection with securities owned by the client during the period covered by the report, the following notification or a notification that is substantially similar to the following:

*We received \$● i n trailing commissions on the investment funds you owned during the period.*

*Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions from that management fee for the service and advice we provide you. The amount of the trailing commissions depends on the sales charge option you chose when you purchased the fund. You are not charged the trailing commission or the management fee. But, as is the case with any investment fund expense, trailing commissions are likely to affect you because, in most cases, 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)** A registered firm may provide a report on charges and other compensation that consolidates the information required under subsection (1) for more than one of a client's accounts into a single report, if both of the following apply:

- (a) the client has consented in writing;
- (b) the consolidated report specifies which accounts it consolidates.

- (3) A report under subsection (1) must
- (a) be delivered with or in the client statement that is accompanied by or includes the investment performance report required under section 14.16 [*investment performance report*], and
  - (b) cover the 12 months period that immediately precedes the date of the report except that the first report on charges and other compensation delivered after a client has opened an account may cover a period of less than 12 months.
- (4) This section does not apply to a registrant in respect of a permitted client that is not an individual.

#### **14.16 Investment performance report**

- (1) A registered firm must deliver an investment performance report to a client every 12 months with or in a client statement referred to in section 14.14 [*client statements and security holder statements*], except that the first investment performance report delivered after a registered firm first makes a trade for a client may be sent more than 12 months but less than 24 months after the trade.
- (2) The information required under subsection (1) must be delivered with or in a separate investment performance report for each account of the client and must include
- (a) all securities owned by the client that are held by the registered firm in the account, and
  - (b) all securities owned by the client that are reported in the client statement under subsection 14.14(6.2) [*client statements and security holder statements*] and were transacted through the account.
- (3) Despite subsection (2), a registered firm may provide an investment performance 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 subsection 14.14(6.2) [*client statements and security holder statements*], if both of the following apply:
- (a) the client has consented in writing;
  - (b) the consolidated report specifies which accounts and which securities held outside of an account it consolidates.
- (4) This section does not apply to
- (a) an account that has existed for less than a 12 month period;
  - (b) a dealer in respect of an account in which a dealer only executes trades as directed by a registered adviser acting for the client;
  - (c) an investment fund manager in respect of its activities as an investment fund manager; and
  - (d) a registered firm in respect of a permitted client that is not an individual.

#### **14.17 Content of investment performance report**

- (1) An investment performance report delivered under section 14.16 [*investment performance report*] by a registered firm must include all of the following in respect of the securities referenced in a client statement in respect of which subsections 14.14(6.1) and (6.2) [*client statements and security holder statements*] apply:
- (a) subject to paragraph (b), the opening market value of all cash and securities in the client's account as at the beginning of the 12 month period preceding the date of the investment performance report;

- (b) if the account was opened before [implementation date] and the registered firm reasonably believes reliable market values are not available for all deposits, withdrawals and transfers since the date when the account was opened, the market value of all cash and securities in the account as at [implementation date];
- (c) the closing market value of all cash and securities in the account;
- (d) 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, in the 12 month period immediately preceding the date of the investment performance report;
- (e) subject to paragraph (f), 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 account opening;
- (f) if the account was opened before [implementation date] and the registered firm reasonably believes reliable market values are not available for all deposits, withdrawals and transfers since the account was opened, 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 [implementation date];
- (g) the annual change in value of the account for the 12 month period preceding the date of the investment performance report, determined by the formula

$$A - B - C + D$$

where

A = the closing market value of all cash and securities in the account as at the end of the 12 month period immediately preceding the date of the investment performance report,

B = the opening 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;

- (h) subject to paragraph (i), the cumulative change in value of the account determined by the formula

$$A - E + F$$

where

A = the closing market value of all cash and securities in the account as at the end of the 12 month period immediately preceding the date of 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;

- (i) if the registered firm reasonably believes reliable market value information required in paragraph (f) is not available to the registered firm, the cumulative change in the value of the account determined by the formula

$$A - G - H + I$$

where

A = the closing market value of all cash and securities in the account as at the end of the 12 month period immediately preceding the date of the investment performance report,

G = the opening market value of all cash and securities in the account as at [implementation date],

H = the market value of all deposits and transfers of cash and securities into the account since [implementation date], and

I = the market value of all withdrawals and transfers of cash and securities out of the account since [implementation date];

- (j) the amount of the annualized total percentage return, expressed as a percentage, for the client's account calculated net of charges, using a dollar weighted method;
- (k) the definition of "total percentage return" in section 1.1 [*definitions of terms used throughout this Instrument*] and a notification that the total percentage return in the investment performance report was calculated net of charges, using a dollar weighted method.

**(2)** The information delivered for the purposes of paragraph (1)(j) must be provided for each of the following periods preceding the date of the performance report:

- (a) the previous year;
- (b) the previous 3 years;
- (c) the previous 5 years;
- (d) the previous 10 years;
- (e) the period since the 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 [implementation date] and the registered firm reasonably believes a reliable annualized total percentage return for the period prior to [implementation date] is not available, the period since [implementation date].

**(3)** Despite subsection (2), if any portion of a period referred to in paragraphs (2)(c) or (d) was before [implementation date], 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 14.16 [*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 of 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 the client, upon 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 14.16 [*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 performance report and how a client can use the information to assess the investment performance of the client's investments; and
- (b) the changing value of the client's investments as reflected in the information in the investment performance report.

(6) If a registered firm delivers investment performance information to a client for a period of less than one year, the firm must not calculate the performance information on an annualized basis.

(7) If the registered firm reasonably believes a reliable market value cannot be determined for a security position in a client statement, the security position must be assigned a value of zero in the calculation of the information delivered under subsection 14.16(1) and the reason for doing so must be disclosed to the client.

(8) If the registered firm reasonably believes there are no security positions in the client statement for which a reliable market value can be determined, the firm is not required to deliver investment performance information to the client for the period.

20. (a) **Subject to paragraph (b), this Instrument comes into force on •, 2012; and**

(b) **The provisions of this Instrument listed in column 1 of the following table come into force as set out in column 2 of the table:**

| 1<br>Section(s)        | 2<br>Effective Date                       |
|------------------------|---|
| 5(l), 13, 16(a), 16(c) | One year after the implementation date    |
| 18                     | Two years after the implementation date   |
| 19                     | Three years after the implementation date |