

Key elements of the “Client Relationship Model, Phase 2” amendments to existing conduct requirements under National Instrument 31-103 *Registration requirements, exemptions and ongoing registrant obligations*

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1. COST DISCLOSURE

Pre-trade disclosure of charges [s. 14.2.1]

When? Before purchasing or selling a security
What? Specific disclosure of the charges a client would have to pay prior to the registrant accepting the client’s order

Trade confirmation, disclosure for debt security transactions [s. 14.12(b.1) and s. 14.12(c.1)]

When? In connection with a purchase or sale of a security
What? Two new requirements:
1. The security’s annual yield (re: purchase)
2. Compensation from debt securities transactions (re: purchase or sale), either:
(a) the total dollar amount of compensation, or
(b) the total dollar amount of any commission paid to the registered firm and, if the registrant applied a mark-up or mark-down or any service charge other than a commission, provide a prescribed general notification

Report on charges and other compensation [s. 14.17]

When? Annually
What? Summary of all charges incurred by the client and all other compensation received by the registered firm that relates to the client’s account, including:

- operating charges
- transaction charges
- trailing commissions
- debt security transactions (requirements mirror trade confirmation)

- Delivery** Flexible, can be either
- together with investment performance report
 - combined with or accompany account statement or additional statement or delivered separately, within 10 days

Duty to provide information [s. 14.1.1]

- Investment fund managers are required to provide dealers and advisers who distribute their funds with information about trailing commissions and deferred sales charges that they will need in order to be able to comply with the new client reporting requirements.

2. PERFORMANCE REPORTING

Investment Performance Report [s. 14.18, s. 14.19]

- When?** Annually
- What?**
- Account-based (option for consolidated report)
 - securities of a client required to be reported in an additional statement, if any, must be covered
 - Annualized total percentage return calculated net of charges using a money-weighted rate of return calculation method
 - reporting periods of 1, 3, 5 and 10 years and the period since the inception of the account
 - Opening market value, deposits and withdrawals and change in market value
 - Market value methodology for a security:
 - a hierarchy of valuation methods that depend on the availability of relevant information
- Delivery**
- Together with report on charges and other compensation
 - Combined with or accompany account statement or additional statement or delivered separately, within 10 days

3. ACCOUNT STATEMENT / ADDITIONAL STATEMENT

Account statement [s. 14.14]

- When?** Every 3 months, or monthly (if requested or transaction was effected)

- What?** Covering:
- *all* transactions carried out during the period
 - securities *held by* the dealer/adviser *in the account* (e.g., nominee name securities)

“Additional statement” [s. 14.14.1]

- When?** Every 3 months (for advisers, client may request monthly)
- What?**
- Content corresponds with account statement
 - Covering securities not held in the account (e.g., client name securities) where:
 - the registrant has trading authority
 - the registrant receives continuing payments tied to the securities (e.g., trailing commissions)
 - the security is issued by a scholarship plan, a mutual fund or labour-sponsored investment fund
- Delivery**
- Combined into one statement with account statement or delivered separately, within 10 days of account statement

Market value [s.14.11.1]

- Market value to be determined in accordance with common methodology depending on type of security and hierarchy of available information

Position cost information [s. 14.14.2]

- When?** Every 3 months
- What?**
- Cost of security positions as comparator for market value
 - Calculated using “book cost” method or “original cost” method [definitions in s.1.1]
- Delivery**
- Integrated into the relevant account statement and/or “additional statement” or delivered in a separate document accompanying such statements or within 10 days after the delivery of such statements

