



Canadian Securities  
Administrators

Autorités canadiennes  
en valeurs mobilières



## CSA and CCIR Notice of Publication

### *CCIR Individual Variable Insurance Contract Ongoing Disclosure Guidance*

and

Amendments to

*National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations*

and to

*Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations*

**Total Cost Reporting (TCR) for Investment Funds and Segregated Funds**

**April 20, 2023**

### **Introduction**

The Canadian Securities Administrators (the **CSA**) and the Canadian Council of Insurance Regulators (the **CCIR**, together, the **Joint Regulators** or **we**), are adopting enhanced cost disclosure reporting requirements for investment funds and new cost and performance reporting guidance for individual variable insurance contracts or IVICs (referred to here as **Segregated Fund Contracts**), as described below (collectively, the **Total Cost Reporting Enhancements** or **TCR Enhancements**).

The TCR Enhancements have been developed by a joint project committee composed of members from the CSA, CCIR, Canadian Insurance Services Regulatory Organizations (CISRO) and the New Self-Regulatory Organization of Canada (**New SRO**) (the **Project Committee**).

The TCR Enhancements for the securities sector (the **Securities Amendments**) are for amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) and changes to the Companion Policy 31-103CP *Registration*

*Requirements, Exemptions and Ongoing Registrant Obligations (31-103CP or the Companion Policy).*

The TCR Enhancements for the insurance sector are found in the *Individual Variable Insurance Contract Ongoing Disclosure Guidance* (the **Insurance Guidance**) – an enhanced disclosure framework for Segregated Fund Contracts. The CCIR expects each of its member jurisdictions will adopt the framework by local guidance or, in certain jurisdictions, regulation. In addition to including cost and performance reporting guidance, the Insurance Guidance also includes additional ongoing performance disclosure guidance designed to bring the insurance sector into closer harmony with the securities sector, as well as guidance with respect to ongoing disclosure with respect to Segregated Fund Contract guarantees.

The Securities Amendments are relevant for all registered dealers, advisers and investment fund managers. The Insurance Guidance will apply to all insurers offering Segregated Fund Contracts to their policy holders.

We expect New SRO to amend its member rules, policies and guidance to be materially harmonized with the Securities Amendments.

In some jurisdictions, ministerial approvals are required for the implementation of the Securities Amendments. Provided all ministerial approvals are obtained, they will come into force on January 1<sup>st</sup>, 2026, subject to the transition period discussed below.

## **Substance and Purpose**

The TCR Enhancements are part of the Joint Regulators' harmonized response to concerns we have identified relating to current cost disclosure requirements for investment funds and segregated funds and product performance reporting requirements for segregated funds.

One important concern which we aim to address is that there are currently no requirements for securities industry registrants or insurers to provide ongoing reporting to investors and policy holders on the amount of such costs after the initial sale of the investment product, in a form which is specific to the individual's holdings and easily understandable.

We believe the TCR Enhancements will enhance investor protection by improving investors' and policy holders' awareness of the ongoing embedded fees such as management expense ratios (**MER**) and trading expense ratios (**TER**) that form part of the cost of owning investment funds and segregated funds. The Insurance Guidance will also enhance policy holder protection by improving policy holders' awareness of their rights to guarantees under their Segregated Fund Contracts and how their actions might affect their guarantees.

The TCR Enhancements are as consistent as possible between the securities and insurance sectors with respect to disclosure of the ongoing costs of owning Segregated Fund Contracts and investment funds, taking into account the material differences among those products and in the ways the two sectors and their regulatory regimes operate.

### *New elements for the securities sector*

The Securities Amendments add the following new elements to NI 31-103:

- In the annual report on charges and other compensation (the **ARCC**) under section 14.17 for the account as a whole, for all investment fund securities owned by a client during the year, excluding labour-sponsored investment funds (LSIFs) and prospectus-exempt funds, information relating to:
  - the aggregate amount of fund expenses, in dollars, for all investment funds;
  - the aggregate amount of any direct investment fund charges (e.g., short-term trading fees or redemption fees), in dollars, for all investment funds, and;
  - the fund expense ratio (the **FER**), as a percentage, for each investment fund class or series.
- Additions to the existing requirement for investment fund managers to provide necessary information to the dealers and advisers who distribute their products.
- Provisions relating to the calculation and reporting of this information.

Existing exemptions for statements and reports provided to non-individual permitted clients (including, for example, many different institutional investors), pursuant to subsections 14.14.1(6) and 14.17(5) of NI 31-103, will continue to apply.

There are no grandfathering provisions.

Annex A – *Summary of changes to NI 31-103 and 31-103CP* describes the key changes to the NI 31-103 and the Companion Policy in more detail.

### *New elements for the insurance sector*

The Insurance Guidance indicates insurers should provide the following information in statements to investors with respect to the cost of holding segregated fund contracts, in addition to the information already described in the December 2017 CCIR Segregated Funds Working Group Position Paper and the June 2018 appendix amendments (the Segregated Fund Position Paper):

- the fund expense ratio, stated as a percentage, for each segregated fund held by the client within their Segregated Fund Contract during the statement period; and
- for the Segregated Fund Contract as a whole:
  - the aggregate amount of fund expenses, in dollars, for all segregated funds held in the contract during the statement period;
  - the aggregate cost of insurance guarantees under the Segregated Fund Contract, in dollars, for the statement period; and
  - the aggregate amount of all other expenses under the Segregated Fund Contract, in dollars, for the statement period.

Although the Insurance Guidance itself is not legally binding, insurance regulators in each jurisdiction will implement this initiative in line with their respective regulatory requirements, which will, in some jurisdictions, include legally binding requirements with effective dates which match the Securities Amendments.

## Background

The TCR enhancements were developed over the course of an extensive consultation process.

## Publication for Comment

We published proposed securities amendments and insurance guidance for comment on April 28, 2022 for a 90-day comment period (the **Proposals**). We received 38 letters for both the insurance and securities sectors. We have considered the comments received and thank all of the commenters for their input.

We have made changes to some of the Proposals. These changes are summarized below and discussed in Annex B – *Summary of comments and responses - Securities*. As these changes are not material, we are not publishing the Proposals for another comment period.

Copies of the comment letters were posted on the following websites:

- the Alberta Securities Commission at [www.albertasecurities.com](http://www.albertasecurities.com)
- the Autorité des marchés financiers at [www.lautorite.qc.ca](http://www.lautorite.qc.ca)
- the Ontario Securities Commission at [www.osc.gov.on.ca](http://www.osc.gov.on.ca)
- the Canadian Council of Insurance Regulators at [www.ccir-ccrra.org](http://www.ccir-ccrra.org)

## Other Consultations

The TCR Enhancements follow on work securities regulators began after the completion of the Client Relationship Model, Phase 2 project in 2016 and the Segregated Fund Position Paper, as well as extensive consultations with investor advocates and market participants, including at the June 2021 and June 2022 meetings of the Joint Forum of Financial Market Regulators.<sup>1</sup>

Following the end of the comment period, the Project Committee created a joint working group and held technical consultations with industry stakeholders and service providers in order to discuss potential issues related to the proposed transition date and implementation issues (the **Additional Consultations**).

## Summary of Changes to the Proposals

In developing the TCR Enhancements, we carefully reviewed the comments that we received on the Proposals. We found some of the comments recommending changes to be persuasive and revised the Proposals accordingly. We have sought to adequately balance the regulatory burden imposed, while maximizing investors' awareness and understanding of their costs of investing. We have summarized the most notable changes below.

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<sup>1</sup> <https://www.securities-administrators.ca/news/joint-forum-of-financial-market-regulators-receive-early-feedback-regarding-total-cost-reporting-and-climate-change/>; <https://www.securities-administrators.ca/news/joint-forum-of-financial-market-regulators-engages-with-industry-and-investor-groups-on-investment-fee-transparency/>

## ***Securities sector***

### ***Fund expense ratio***

We have moved the requirement to report the fund expense ratio for each investment fund from the quarterly or monthly account statements to the ARCC. We believe that consolidating all information related to costs in a single annual report will facilitate investor understanding of this information.

### ***Application of Securities Amendments***

We have excluded prospectus-exempt and LSIFs from the scope of the Securities Amendments due to the differences between how those products operate as compared to funds included within the scope of the TCR Enhancements and considering the potential implementation issues which may be related to their inclusion. The Securities Amendments apply to all other investment funds, including scholarship plans.

### ***Newly-established funds***

We have added new provisions specifying in which circumstances cost information about newly-established funds may be excluded, considering that this information may not be available for those funds. In the case where such information is excluded, a notification must be included in the report.

### ***Due diligence***

We have clarified that we do not expect dealers and advisers to routinely undertake a due diligence review of the information provided to them by investment fund managers, outside of certain exceptional circumstances outlined in NI 31-103 and the Companion Policy. In the case where such exceptional circumstances arise, dealers and advisers will continue to be required to make reasonable efforts to obtain the required information, subject to considerations about the materiality and costs of doing so.

### ***Use of approximations***

We added guidance that encourages the use of exact information. However, we continue to allow IFMs to use reasonable approximations, recognizing that there can be circumstances in which exact information will be unavailable or that the costs of obtaining it may outweigh the potential improvement over an approximation.

We have removed the requirement that approximations be based on information found in a fund's most recently disclosed fund facts document, ETF facts document, prospectus or management report of fund performance in order to grant registered firms additional flexibility in using approximations and to minimize the regulatory burden imposed. However, we have also provided guidance in the Companion Policy which notes that those documents can generally be relied on for these purposes.

We have also allowed dealers and advisers to use reasonable approximations when making reasonable efforts to obtain or determine cost information, in the case where the exceptional circumstance referred to above apply.

Despite the allowance for registered firms to use reasonable approximations, we have added guidance which encourages investment fund managers to provide exact information, whenever available, considering that doing so would enhance investor understanding of their costs of investing.

We believe this approach adequately balances the need for investors to receive information about the ongoing costs of owning investments funds, while avoiding imposing an undue regulatory burden on registrants.

#### *Calculation methods*

We have modified how cost information such as fund expenses and direct investment fund charges are required to be calculated, in order to clarify how each type of fee should be accounted for.

We have also specified that the actual fees paid by the investor, including any performance fees and deducting any fee waivers, rebates or absorptions, should be reported. We have however indicated through guidance that the additional disclosure of any waivers, rebates or absorptions as a separate line item will be allowed.

We have also adjusted the formula which must be used when calculating fund expenses in order that it more accurately reflects the costs actually incurred by each client. The revised formula is based on the more accurate calculation of the fund expenses for each day for which a fund was owned by an investor. We continue however to allow registered firms to provide a reasonable approximation of this amount.

#### *Notifications*

We have revised the required notifications, in collaboration with the OSC Investor Office Research and Behavioural Insights Team (**IORBIT**), with the goal of enhancing investor understanding.

In response to comments regarding the inclusion of third-party charges, we have mandated the inclusion of a notification when certain such charges are deducted, as well as a notification concerning the embedded fees which may be associated with ownership of products which are not included within the scope of the Securities Amendments, such as structured products.

We have also mandated the inclusion of a notification that explains to investors how they can take action with regards to the fee information contained in the report, for example by contacting their advisor to discuss the fees they pay or by considering the impact of those fees on the long-term performance of their portfolio.

### *ARCC sample document*

We have made the required changes to the ARCC sample document, in collaboration with IORBIT, in order to reflect other changes made to the Proposals.

### *Other*

The Securities Amendments also include revisions to the guidance in the Companion Policy which are primarily intended to clarify the interpretation of the new requirements.

### ***Insurance sector***

#### *Harmonization*

We modified the Insurance Guidance to harmonize with the changes made to the Securities Amendments, as described above, taking into account the material differences among those products and in the ways the two sectors and their regulatory regimes operate. This includes changes such as adding definitions and calculation methodologies for Fund Expenses and Fund Expense Ratios, permitting insurers to use approximations, adding additional notifications and clarifying when cost information about newly-established funds may be excluded.

#### *Insurance Costs*

We clarified insurers are only required to disclose the dollar amount of insurance cost as a separate item in a policyholder's annual statement where the insurance cost is not already included in another cost, such as fund expenses.

#### *Legacy Contracts*

We added a process for insurers to apply for exemptions from specific expectations in the Insurance Guidance in the unusual cases where costs to policyholders of insurer compliance will exceed the benefits to the policyholders.

We recognize that where certain contracts are no longer being sold and the overall number of policyholders is low, the cost to upgrade systems to comply with the Insurance Guidance might be passed on to only a few policyholders, resulting in a disproportionate impact to individuals who own these older Segregated Fund Contracts. CCIR will only grant exemptions in exceptional circumstances, as described in the Insurance Guidance, in cases where an insurer can demonstrate to CCIR that complying with an expectation will result in costs to policyholders that would exceed the benefit to the same policyholders.

The changes to the Proposals and our reasons for making them are discussed in more detail in Annex B – *Summary of comments on the Proposals and responses*.

## ***Further Changes***

We may consider making proposals for extending the TCR Enhancements to include prospectus-exempt and labour sponsored investment funds at a future date.

## **Transition**

The TCR Enhancements will take effect on January 1, 2026. Both securities registrants and insurers will have to deliver the first annual reports that incorporate the TCR Enhancements for the year ending December 31, 2026.

We have extended the transition period in light of significant implementation issues and concerns identified in the comment letters and the Additional Consultations.

We believe this would result in the shortest possible delay for clients to receive TCR-enhanced reports, while providing industry with a sufficient implementation period.

We therefore:

- encourage registrants and insurers to begin reviewing their systems and conducting advanced planning as soon as possible in order to have all of the resources necessary for implementation in place on time; and
- expect registrants and insurers to complete the implementation of all required changes to their individual systems well in advance of January 1st, 2026, in order to allow sufficient time for testing and the resolution of any unanticipated issues.

The CSA and CCIR will establish an implementation committee with the participation of New SRO to provide guidance, respond to questions and otherwise assist registrants to operationalize the TCR Enhancements within the transition period (the **Implementation Committee**). This could include assisting registrants in determining appropriate standards and timelines for transmission of information and obtaining high-level updates on the timely progress of the implementation of the TCR Enhancements.

## **List of Annexes**

This notice contains the following annexes:

- Annex A - Summary of changes to NI 31-103 and 31-103CP
- Annex B - Summary of comments and responses - Securities
- Annex C - Amendments to NI 31-103
- Annex D - Blackline showing changes to NI 31-103 under the Securities Amendments
- Annex E - Blackline showing changes to 31-103CP
- Annex F - Changes to 31-103CP
- Annex G - Adoption of the Securities Amendments
- Annex H - Insurance Guidance
- Annex I - Insurance sample annual statement



This notice will be available on the following websites of CSA jurisdictions:

[www.lautorite.qc.ca](http://www.lautorite.qc.ca)  
[www.asc.ca](http://www.asc.ca)  
[www.bsc.bc.ca](http://www.bsc.bc.ca)  
[www.fcnb.ca](http://www.fcnb.ca)  
[nssc.novascotia.ca](http://nssc.novascotia.ca)  
[www.osc.ca](http://www.osc.ca)  
[www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)  
[www.msc.gov.mb.ca](http://www.msc.gov.mb.ca)

This notice will also be available on the CCIR website: <https://www.ccir-ccrra.org>.

## Questions

If you have any questions, please contact the staff members listed below.

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## ANNEX A

### SUMMARY OF CHANGES TO NI 31-103 AND THE COMPANION POLICY

This annex summarizes the changes that the Securities Amendments will make to the current versions of NI 31-103 and the Companion Policy. In addition to the changes summarized in this annex, the Securities Amendments also include technical drafting changes and clarifications.

#### *Reporting of investment fund cost information in ARCC*

We have expanded section 14.17 of NI 31-103 to require reporting the following information in the ARCC, for the account as a whole, for all investment funds securities owned by a client during the year, with the exception of LSIFs and prospectus-exempt funds (references to investment funds in this annex therefore exclude LSIF and prospectus-exempt funds):

- the total amount of fund expenses, in dollars, for all investment fund securities;
- the total amount of direct investment fund charges (e.g., short-term trading fees or redemption fees), in dollars, for all investment fund securities, and;
- the fund expense ratio, as a percentage, for each investment fund class or series of securities.

The total amount of fund expenses, as well as each fund expense ratio must be reported inclusive of performance fees and net of any fee waivers, rebates or absorptions.

In addition, the following total amounts must be reported in the ARCC:

- the total investment fund expenses and charges, consisting of the total amount of (a) the fund expenses and (b) the direct investment fund charges
- the total costs of investing, consisting of the total amount of (a) the registered firm's charges, which are required to be reported under current requirements and (b) the total investment fund expenses and charges, which are newly required under the Securities Amendments.

#### *Notifications to clients in ARCC*

We have expanded section 14.17 to require the following notifications to be included in the ARCC:

- a notification explaining to clients how they can take action based on the information provided in the report;
- if the client owned investment fund securities during the period covered by the report:
  - a notification which provides explanations to clients concerning fund expenses;
  - a notification which refers clients to fund issuers' documents for more information about fund expenses and fund performance, and to their account statements for information about their current holdings;
- if deferred sales charges (DSC) were paid by the client, an explanation of those charges;
- if other direct investment fund charges were charged to client, an explanation of those charges;

- if information reported about the fund expenses, direct investment fund charges or fund expense ratio(s) is based on an approximation or any other assumption, a notification that this is the case<sup>1</sup>;
- if a structured product, LSIF or prospectus-exempt investment fund securities were owned by the client, a notification that such products have embedded fees which may not be required to be reported in the ARCC;
- if the registered firm knows or has reason to believe that the client paid custodial fees, intermediary fees or interest charges to third-parties related to securities owned by the client, a notification that such charges or fees may not be reported in the ARCC;
- if any foreign funds were owned by the client, a notification that information about those funds may not be directly comparable to equivalent information for Canadian investment funds, and that it may include different types of fees.

#### *IFM duty to provide information to dealers and advisers*

We have expanded the IFM's duty to provide information under section 14.1.1 of NI 31-103 to encompass the additional information dealers and advisers are required to deliver to clients under the Securities Amendments.

We have added section 14.1.2 [*Determination of fund expenses per security*] to specify what information IFMs should provide registered dealers and advisers to allow them to comply with section 14.17(1)(i), as well as to specify how the fund expenses per security for the day, which are used as an input in the formula for calculating the aggregate amount of fund expenses under section 14.17(6), must be calculated.

#### *Calculation methods for cost information*

We have added subsection 14.17(6) to specify the method which must be used for calculating the aggregate amount of fund expenses.

In summary, for each day in the reporting period, registered dealers and advisers must multiply the amount of fund expenses per security for that day by the number of securities owned by the client on that day, for each class or series of investment fund securities owned by a client. The dealer or adviser must then add together the resulting amounts for each class or series of investment fund securities owned by a client and for each day in the reporting period to obtain the aggregate amount of fund expenses for the year.

#### *Reporting of fund expenses and direct investment fund charges by dealers and advisers*

We have added section 14.17.1 to specify that registered dealers and advisers must report information based on the information provided by IFMs, in the case where IFMs are required to do so.

We have added subsection 14.17.1(2)(a) which provides that, in certain exceptional circumstances, such as if no information is provided by the IFM, the registered firm must make reasonable efforts to obtain or determine the required information by other means. This

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<sup>1</sup> A detailed description of those approximations or assumptions is not required to be reported.

subsection also allows dealers or advisers to obtain or determine a reasonable approximation of that information.

#### *Use of reasonable approximations*

We have added subsection 14.1.2(2) to allow for the use of approximations by IFMs where it would not result in misleading information:

- paragraph 14.1.2(2)(a) allows IFMs to use a reasonable approximation of the inputs referenced in the formula for calculating the fund expenses per that security for the day;
- paragraph 14.1.2(2)(b) allows IFMs to provide dealers or advisers with a reasonable approximation of the aggregate amount of fund expenses, aggregate amount of direct investment fund charges and fund expense ratio for each class or series of investment fund securities.

We have added subsection 14.17(8) to allow registered dealers or advisers to report reasonable approximations to their clients, in the case where approximations are provided by IFMs or determined by the registered dealer or adviser consistent with other requirements in the Securities Amendments.

Companion Policy guidance discusses our expectations with respect to the use of approximations contemplated in the Securities Amendments.

#### *Exemptions*

We have included exemptions from certain reporting requirements for newly-established investment funds, considering that information about the fund expenses and fund expense ratio of such funds may not be available.

We note that the existing exemption from the requirement to provide an ARCC to a non-individual permitted client (including, for example, many institutional investors), pursuant to subsection 14.17(5) will continue to apply.

There are no grandfathering provisions.

## ANNEX B

### SUMMARY OF COMMENTS AND RESPONSES - SECURITIES

This annex summarizes the written public comments we received on the Proposals and our responses to those comments. Out of the 33 comment letters we received for the securities sector, 27 were from industry stakeholders (including registrants, industry associations and law firms), and 6 were from non-industry stakeholders (including investors, investor advocates, academics and others).

This annex contains the following sections:

- A. General comments and responses
- B. Transition
- C. Reportable costs
- D. Calculation Methodology
- E. Use of estimates and approximations
- F. IFMs' duty to provide information
- G. Dealer reliance on IFMs
- H. Issues related to specific product types
- I. Disclosure Format
- J. Exemptions
- K. List of securities commenters

#### A. GENERAL COMMENTS AND RESPONSES

	Comment	Response
<i>Balance of costs and benefits</i>		
1.	<p>Investor advocates and the majority of industry commenters expressed support for the objectives of the Proposals. However, there were some industry comments that expressed the view that TCR is or may be unnecessary or that the costs for the industry to implement and comply would outweigh the benefits to investors. Some of these commenters urged more research and consultation before proceeding further with the project. Investor advocates, however, urged us not to delay implementation of the Proposals, in light of its importance for investors.</p> <p>One industry commenter stated that they were unsure of why the TCR project was needed</p>	<p>We continue to believe that it is necessary to provide investors with complete and transparent information relating to the ongoing costs of owning investment funds because doing so will allow investors to make better-informed decisions and will ultimately result in better investing outcomes.</p> <p>We do not agree with suggestions that it is sufficient that investors be provided with a notification about fund expenses and be directed to contact their investment representative for more information.</p>

	Comment	Response
	<p>and suggested that it could be adequately addressed through the proposed notification regarding fund expenses and by directing investors to contact their investment representative for more information regarding fund expenses.</p> <p>They also asked that further research be conducted to confirm whether TCR will change investment decision-making patterns by retail investors.</p> <p>This commenter was also of the view that it is unrealistic to expect that retail investors, through TCR, will achieve the same level of understanding as dealing representatives regarding the cost structures of investment funds.</p> <p>Investor advocates however noted that increased transparency should help investors identify the more expensive products in their portfolio and ways to lower their costs. One commenter cited a recent study which found that higher investment fees can set back an individual's retirement by four years.</p> <p>An investor advocate further qualified the ability for consumers to see and understand all the fees and costs associated with buying a product as a fundamental investor right and stated that the current regime leads many investors to believe that they already have full disclosure of costs.</p> <p>Investor advocates were of the view that the project would promote competition within the fund management industry and help drive down costs as firms compete on delivering products and services more efficiently. They also noted that Canada has some of the highest mutual fund costs in the world.</p>	<p>While registered representatives are required to make recommendations to clients which are suitable, clients, and not registered representatives, make investment decisions<sup>1</sup>. We also note that self-directed investors do not receive advice from registered representatives.</p> <p>We also believe that it is not sufficient that investors can access individual fund cost information on their own initiative, for example by consulting each investment fund's most recent Fund Facts or ETF facts. Finding and collecting up-to-date information for all the funds an investor has owned during the year, taking into account purchases and redemptions during this period, would be complex, time-consuming, especially for ordinary retail investors.</p> <p>Costs have a significant impact on returns, which add up over time. It is necessary for investors to be aware and understand the costs they pay in order to allow them to assess the value they receive in return and make informed decisions.</p> <p>Investors should therefore receive clear personalized information about the ongoing costs of their investment funds in the same way as they already receive such information about their other costs of investing.</p> <p>We aim to increase investor awareness and understanding of investment fund costs, which will help address the information asymmetry</p>

<sup>1</sup> This excludes the specific case of managed account where discretionary trading authority has been delegated to a registered adviser or investment dealer.

	Comment	Response
	<p>However, an industry commenter asked that the CSA explain how transparency about costs would encourage more competition. Some industry commenters were also of the view that the project could lead to dealer consolidation.</p>	<p>between investors and registrants. We do not believe that investors would be required to achieve the same level of understanding as dealing representatives regarding the cost structures of investment funds in order to benefit from the TCR enhancements.</p> <p>In making enhancements to the ARCC, we have been careful in assessing what information should be included in the ARCC in order to increase investor awareness and understanding of costs, as discussed in more detail in other responses in this annex.</p> <p>We have provided a sample document showing how that information can be presented in an accessible format. It is also important to bear in mind that dealers and advisers are expected to provide the context for information contained in the reports that are sent to their clients.</p> <p>The need to address the information gap regarding costs and compensation paid by clients to other parties, such as IFMs, was publicly identified by securities regulators following the completion of the CRM2 project in 2016. The MFDA published a discussion paper for consultation in 2018<sup>2</sup>. The CSA and CCIR then established the joint TCR project and published the Proposals for comments, following extensive prior consultations with investor advocates and market participants, notably at the 2021 Joint Forum of Financial Market</p>

<sup>2</sup> [MFDA Bulletin #0748-P, Discussion Paper on Expanding Cost Reporting – Summary of Comments](#), April 19, 2018.



	Comment	Response
		<p>Regulators, as well as through informal technical consultations with industry associations and service providers. We are satisfied that sufficient research and consultation has been done and that it is time to move forward with the Securities Amendments.</p> <p>We have made changes to the Proposals that will reduce the costs of implementation and compliance for industry stakeholders, including:</p> <ul style="list-style-type: none"> <li>• consolidation of the enhanced disclosure requirements in the ARCC, so that there will be no new elements in monthly or quarterly client statements</li> <li>• allowing the use of reasonable approximations where appropriate, without requiring overly detailed notifications</li> <li>• providing guidance that in the normal course, IFMs can provide reasonable approximations which rely on information in existing disclosure documents when providing information dealers and advisers who distribute their funds, without rigidly requiring them to do so in all circumstances</li> <li>• providing guidance that in the normal course, dealers and advisers can rely on the information provided by IFMs without undertaking burdensome due diligence</li> <li>• excluding private investment funds and LSIFs in light of their unique nature and potential implementation issues</li> </ul>

	Comment	Response
		<ul style="list-style-type: none"> <li>providing a significantly longer transition period</li> </ul>
<i>Prospectus-exempt funds and labour-sponsored funds</i>		
2.	<p>Industry commenters expressed significant concerns about the implementation issues related to the inclusion of prospectus-exempt investment funds (private funds) LSIFs, including the following:</p> <ul style="list-style-type: none"> <li>IFMs of private funds do not typically calculate a FER as a percentage since they are not required to do so under National Instrument 81-106 <i>Investment Fund Continuous Disclosure</i></li> <li>private funds do not have publicly available information that would allow a dealer or adviser to calculate a FER or determine if a reported FER is misleading</li> <li>investment funds with illiquid assets generally do not publish NAV on a daily basis and there is no standard valuation frequency with the result that if an IFM does not provide an exempt market dealer (EMD) with FER information for an investment fund that meets the requirements of the Proposals, it will be the norm and not the exception that an EMD's client account statements will simply state that such information is unavailable and not being reported</li> <li>there is a wide variety of prospectus-exempt fund structures and features, some with complex pricing structures (e.g., alternative investments) that would be challenged in calculating and communicating cost information in a manner consistent with the Proposals</li> <li>applying TCR to pooled funds may lead dealers and adviser to discontinue offering them to their</li> </ul>	<p>We have concluded that these differences and resulting implementation issues are sufficiently large that it would not be appropriate to include private funds and LSIFs in the Securities Amendments. Additional consultations would be necessary before making any proposals to include private funds and LSIFs.</p> <p>This would require consideration of the costs and benefits of including them in a potential future phase of the project.</p> <p>Our regulatory regime generally distinguishes the exempt market, among other things to encourage capital raising. Investors in exempt-market funds must be qualified under a prospectus exemption and meet certain investor criteria, such that less disclosure is required to be provided to them.</p>

	Comment	Response
	<p>clients, especially in the case of pooled funds of managers with smaller amounts of assets under management, who may not have the same resources as larger IFMs to build and maintain the necessary support for dealers and advisers to provide TCR regarding their pooled funds</p> <ul style="list-style-type: none"> <li>• investors in private funds must be accredited investors or satisfy other criteria</li> <li>• there is no pre-existing infrastructure to transmit information about private funds that could be built out to support TCR</li> <li>• due to the nature of LSIFs and the underlying small- and medium-sized business investment criteria, LSIFs with inactive trading status or in the wind-up phase may not have current prices</li> </ul>	
<i>Harmonization</i>		
3.	<p>Commenters supported harmonizing annual reporting requirements between the securities and the insurance sectors, with some noting the need to recognize unique features of the products in doing so.</p> <p>Commenters encouraged us to adopt the same timetable for the implementation of both the Securities Amendments and the Insurance Guidance. They pointed out that a shared schedule would be in the interests of investors and policyholders, who would wish to receive comparable information at the same time, and also in the interests of the industry participants in both sectors, who would be able to share some of the implementation costs.</p>	<p>Harmonization is a core objective of the TCR project. We have sought to ensure that the TCR enhancements are as consistent as possible between the securities and insurance sectors, taking into account the material differences among those products and in the ways the two sectors and their regulatory regimes operate.</p> <p>The removal of the proposed requirement to include new information in monthly or quarterly account statements has further increased harmonization, with both sectors requiring information to be reported on an annual basis.</p>

	Comment	Response
<i>Drafting comments</i>		
4.	We received a number of drafting suggestions and comments on the Proposals.	While we incorporated some of these suggestions in the Securities Amendments, this summary does not include a detailed list of all the drafting comments or changes that we made.
<i>General and Out-of-scope matters</i>		
5.	<p>We received a number of comments on topics that are outside the scope of the TCR project, including:</p> <ul style="list-style-type: none"> <li>• material revisions to the ARCC not related to ongoing cost information</li> <li>• extending the ARCC to include investment products not within the jurisdiction of CSA members</li> <li>• allowing consolidation of ARCCs for clients with multiple accounts with a registrant</li> <li>• allowing consolidation of ARCCs for portfolio manager clients whose accounts are held at an investment dealer</li> <li>• revisiting the content of the annual investment performance report</li> <li>• adding new exemptions or waivers to the existing requirements to deliver ARCCs or investment performance reports to clients</li> <li>• delivery methods for mandated reports</li> <li>• mandating a notification concerning proprietary product shelves</li> <li>• changes to Fund Facts and ETF Facts documents and other point-of-sale requirements</li> <li>• comments relating to other CSA projects</li> </ul> <p>We also received comments recommending that regulators:</p> <ul style="list-style-type: none"> <li>• strongly enforce the amendments</li> <li>• impose impactful sanctions and fines</li> </ul>	We note the comments, but have not provided specific responses to comments outside the scope of the project, as well as to general comments.

	Comment	Response
	<ul style="list-style-type: none"> <li>undertake investor education initiatives regarding investment fees and costs</li> </ul>	

## B. TRANSITION

	Comment	Response
<i>Length of transition period</i>		
6.	<p>Most industry commenters asked that the transition period be extended.</p> <p>They underlined the complexity of the project and that it will require significant time and resources, and argued that the proposed implementation timeframe was unreasonable, given the need to develop infrastructure to automate the required cost calculations and transmit the required calculations between IFMs and dealers and advisers. Some also noted that not all funds are sold through Fundserv, so more than one solution may be required, including the use of manual processes and development of a new centralized infrastructure.</p> <p>Investor advocates and a few industry commenters, however, supported the proposed transition period or asked that it be shortened. They stressed the importance of providing enhanced cost information to investors. Some also questioned the validity of industry concerns about the amount of time that would be required to implement the new requirements.</p> <p>We also received some comments for and against different forms of phased implementation, with some commenters proposing that different products be phased in at different times.</p>	<p>We have extended the transition period in light of the significant implementation issues and concerns identified in the comment letters and the Additional Consultations.</p> <p>We believe that this extended transition period will result in the shortest possible delay for clients to receive enhanced reports, while providing industry with sufficient time to implement the new requirements. We do not anticipate extending it.</p> <p>Adopting a shorter implementation timeline would not have been realistic, as requiring that the first enhanced annual reports be received for the year 2025, as opposed to the year 2026, would have allowed for a transition period of only up to 20 months.</p> <p>We also considered, but rejected, an implementation period which would have required that TCR-enhanced information be delivered for only a portion of the reporting period, considering the potential regulatory burden of for registrants, as well as the limited benefits for investors of a report presenting partial information.</p>

	Comment	Response
		Our assessment included consideration of a phased approach to implementation. We concluded that it would not be in the interests of investors to receive incomplete and potentially further delayed reports. We also concluded that it would be ultimately less efficient and more costly for industry to implement in stages, and considered the level playing field implications of doing so.
<i>Conflict with T+1 project</i>		
7.	Several industry commenters in the securities sectors indicated that the proposed timeline for implementation of the Securities Proposals conflicts with the move from T+2 to T+1, which is proposed to take effect in September 2024.	<p>We understand concerns about the pace of change, and we are mindful of that consideration. We considered the potential impact of the T+1 project in determining the extended transition period for the Securities Amendments.</p> <p>We also note that the CSA announced on December 15, 2022 that it is not proposing amendments to National Instrument 81-102 <i>Investment Funds</i> to mandate a shorter settlement cycle for investment funds<sup>3</sup>.</p>
<i>Starting implementation before final publication</i>		
8.	<p>Several industry commenters said that it would not be reasonable to expect firms to spend resources on building a system until amendments are published in final form and have received all necessary approvals.</p> <p>However, other commenters stated that there is no reason why industry groups could not have already had conversations about the data likely required.</p>	<p>We understand that registrants will not be able to fully begin implementing the Securities Amendments until they have the certainty that they will be fully approved.</p> <p>However, firms can begin reviewing their systems and conduct advanced planning in order to have all of the resources necessary for</p>

<sup>3</sup> See : <https://www.securities-administrators.ca/news/canadian-securities-regulators-outline-steps-to-support-transition-to-t1/>

	Comment	Response
		implementation in place at an early stage, before final approvals are obtained.
<i>Implementation Committee</i>		
9.	Many industry commenters recommended setting up an implementation committee of industry participants, including Fundserv and the various trading associations, in order for the securities regulators to facilitate timely dialogue with stakeholders and vendors to develop and implement a final rule.	<p>As part of the Additional Consultations, the Project Committee established a joint working group and held consultations with industry stakeholders and service providers.</p> <p>We will continue this work through the Implementation Committee which will be established jointly by the CSA and CCIR with New SRO participation to provide guidance, respond to questions and otherwise assist registrants to operationalize the TCR Enhancements. This could include assisting registrants in determining appropriate standards and timelines for transmission of information and obtaining high-level updates on the timely progress of the implementation of the TCR Enhancements.</p>

## C. REPORTABLE COSTS

	Comment	Response
<i>Use of MER or FER</i>		
10.	<p>Some industry comments recommended reporting the MER only, as opposed to the FER, as, according to those commenters, the TER, which forms part of the FER, is not generally a material cost associated with investing and the MER makes up the majority of the embedded fees over the long term.</p> <p>Many industry commenters and investor advocates, however, were of the view that reporting MERs, but not TERs would not be acceptable, notably as TCR needs to include</p>	<p>We believe that using the FER, which includes both the MER and TER, is necessary in order to provide investors with a complete picture of their total costs of investing.</p> <p>We considered that for some funds, the amount of the TER is material and may exceed the amount of the MER.</p>

	Comment	Response
	<p>all costs and failing to disclose the TER could lead to a failure to disclose material costs to the client.</p> <p>An industry commenter more specifically highlighted that while TERs generally average about 10 basis points annually, there are instances where a fund's TER is significant, in some cases exceeding the same fund's MER.</p> <p>Some industry commenters also acknowledged that the FER is a more comprehensive metric for investors.</p>	
<i>Disclosure of the FER or MER as a percentage for each fund</i>		
11.	<p>Many industry commenters and investor advocates were in favour of including disclosure of the FER or MER of each fund as a percentage. They stated that providing investors with such disclosure would give them clear and useful information. They also indicated that while dollar amounts fluctuate, percentages remain stable.</p> <p>On the contrary, some industry commenters were not in favour of including disclosure of fund costs as a percentage.</p> <p>Some industry commenters were of the view that the FER fails to provide adequate information for clients to assess cost appropriateness and could be confusing or misleading if provided without cost data for other products or performance indications, which could in turn be counterproductive for clients' financial objectives.</p> <p>Some industry commenters also mentioned that Fund Facts already include MER and TER information for funds subject to NI 81-106. Some further added that this information could conflict with the new metric suggested in the Proposals.</p>	<p>We believe that requiring disclosure of the FER as a percentage will increase investors' awareness and understanding of their costs of investing.</p> <p>More specifically, we believe that it will allow them to understand which funds they owned during the reporting period have higher or lower costs. We believe that this will in turn allow them to make better-informed investment decisions, for example by enabling them to ask relevant questions about the costs of different products to their advisors.</p> <p>While the FER of many investment funds is disclosed in their Fund Facts or ETF Facts, this information is not personalized to an investor's holdings and is only communicated at the point of sale, as opposed to an ongoing basis. Thus, the information found in those documents is not sufficient to allow investors to become aware of the current total ongoing costs of the investment funds they own or owned during the reporting period.</p>



	Comment	Response
<i>Separate reporting of MER and TER</i>		
12.	<p>Some commenters were in favour of reporting the MER and TER separately, as opposed to combining them in a single FER number, indicating that it would provide investors with superior information.</p> <p>A commenter expressed the view that combining the MER and TER into a single FER metric would not allow investors to ask informed questions and make informed decisions about their investments. They also expressed that disclosure should allow investors to use MERs to compare the compensation of IFMs in respect of different funds while also alerting them to the impact of TER as a cost of their investments. They recommended including a breakdown of the management fees and other costs reflected in MER and the trading expenses reflected in TER, with clear, separate explanations of what these each of these measures and their underlying expenses represent.</p>	<p>The Securities Amendments do not require separate disclosure of the MER and TER, considering the benefits of providing simple and clear disclosure to investors and policyholders, as well as the potential burden of requiring such additional disclosure.</p>
<i>Disclose FER or MER information in annual report only</i>		
13.	<p>Many industry commenters expressed concerns about the client confusion and the operational and system challenges that may arise from providing fund FER or MER reporting on a quarterly or monthly basis, especially if it is provided without a holistic CRM2 view on annual returns and full distribution costs. Those commenters also underlined that reporting fund FER in periodic account statements may be duplicative and present clients with information in a different format.</p> <p>Industry commenters also mentioned that the proposed data elements may be operationally prohibitive for IFMs to provide to dealers within a time period required to produce monthly or quarterly statements.</p>	<p>We have moved the requirement to report the FER for each fund from the quarterly or monthly account statements to the ARCC.</p> <p>We believe that consolidating all information related to costs in a single annual report will facilitate investor understanding of this information.</p>

	Comment	Response
	<p>Consequently, some industry commenters, as well as an investor advocate recommended that the FER be included in the ARCC, in order to keep all cost-related information in one place.</p> <p>An industry commenter was of the view that reporting information annually would be sufficient, except in the case of significant portfolio restructuring.</p>	
<i>Reporting of fund expenses per fund in dollars</i>		
14.	Some industry and independent commenters indicated that fund-level cost information should be reported both in percentage and in dollars, indicating notably that providing costs in percentage only would only inconvenience clients by requiring them to do the math themselves.	<p>The Securities Amendments do not require reporting the amount of fund expenses in dollars incurred for each investment fund. Fund-by-fund dollar costs would not allow clients to make meaningful comparisons, since the principal amounts invested in different funds will vary, as will the time periods during which they were held.</p> <p>We also note that implementing the proposed change would have required additional consultations.</p>
<i>Disclose fund MER and estimated cost per \$1000 invested only</i>		
15.	An industry commenter recommended that the MER not be used to attempt to calculate an actual dollar cost for an investor due to the resulting costs being an estimate that could be materially misleading. This commenter instead recommended that the MER be disclosed, along with the estimated cost per \$1,000 invested, as is done for Fund Facts and ETF Facts.	We believe that requiring reporting of the MER and estimated cost per \$1,000 invested of each fund would not be an acceptable alternative to requiring reporting of the total amount of fund expenses in dollars for all funds owned by a client, as it would not allow clients to become aware of the total ongoing costs of the funds they own in dollars.
<i>Inclusion of performance fees in reported FER and fund expenses</i>		
16.	Some industry commenters and investor advocates were in favour of including performance fees to improve investors' understanding and assessment of fund costs,	Investors and policyholders should be made aware of all the fees and expenses associated with the investment funds and segregated

	Comment	Response
	<p>including for alternate funds, mentioning that performance fees subtract from returns.</p> <p>An industry commenter in favour of including such fees also mentioned that performance fee disclosures are confusing and that stated management fees can be significantly different than MERs.</p> <p>This commenter also mentioned that funds with performance fees are better equipped to provide up-to-date fee disclosures, noting that overseeing these funds requires sophisticated systems to track fee accruals given the complex nature of performance fee calculations and that, often, fees must be tracked daily.</p> <p>A securities industry association also recommended that the CSA provide guidance allowing appropriate adjustments to the FER calculation to account for variation of the performance fee from one year to another.</p> <p>On the contrary, an industry association suggested excluding performance fees from the MER calculation as, in their view, (1) the focus on reporting costs to investors should be on costs that they will incur regardless of whether the fund is profitable, as those costs are manageable to a degree by the IFM, whereas performance fees are only incurred if an investor's holdings are increasing in value and represent a portion of that increase and (2) inclusion of performance fees in annualized MER for a fund that has performance fees at varying periods of the year can distort the estimated expenses reported.</p>	<p>funds they own, including the performance fees they pay.</p> <p>We have made changes to the Proposals to ensure that the FER reported for each fund, as well as the total amount of fund expenses reported, are inclusive of performance fees.</p> <p>We have also made adjustments to the calculation method for fund expenses, which is now based on a fund's FER for each day that it was owned by the client, to ensure that performance fees incurred at varying periods of the year and material changes in a fund's FER throughout the year are accurately accounted for. We, however, continue to allow for the use of reasonable approximations.</p>
<i>Presentation of performance fees as separate line item</i>		
17.	An industry commenter suggested that performance fees should be presented as a separate line or noted as in Fund Facts to	We have added guidance to clarify that performance fees can be presented as a separate line item.

	Comment	Response
	highlight how much of the MER it accounts for.	
<i>Reporting of MER waivers or rebates</i>		
18.	An industry commenter suggested that the effective rate the client pays, after accounting for any fee reduction program, and not the stated rate of the funds should be reported to clients.	<p>We agree that the effective rate the client pays, as opposed to the posted rate, should be used.</p> <p>As such, we have made changes in the Securities Amendments to require that the FER for each fund and the amount of fund expenses reported are inclusive of performance fees and net of fee waivers, rebates or absorptions.</p>
<i>Proposed notification concerning householding and management fee rebates</i>		
19.	A securities industry commenter recommended the inclusion of a footnote to explain that actual costs could be materially different than those listed, due to the impact of householding and management fee rebates.	<p>The Securities Amendments require that the FER for each fund and the amount of fund expenses reported are inclusive of performance fees and net of fee waivers, rebates or absorptions.</p> <p>We have also clarified through guidance that if a dealer or adviser provides a client with fee waivers, rebates or absorptions, as would be the case for a householding rebate provider by a dealer or adviser, they must not be included in the total amount of fund expenses reported, but should be included in the corresponding dealer or adviser charges required to be reported under paragraphs 14.17(1)(a) to (f) of NI 31-103.</p>
<i>Scope of costs captured</i>		
20.	According to some investor advocates and industry commenters, TCR should capture all direct and indirect costs incurred by a client in their account. This includes, but is not limited to, product costs, advice and service fees, account fees, fund trading costs, DSC early redemption penalty fees, NSF charges,	We have striven to ensure that the Securities Amendments capture clients' total costs of investing, while accounting for the need to minimize the regulatory burden imposed on registrants and considering which types of fees are related to securities

	Comment	Response
	<p>switch fees, transaction commissions, RRSP account fees, front loads, embedded trailing commissions, short-term trading fees, cost of borrowing, sales commissions embedded in IPO offerings and the like.</p> <p>An investor advocate also suggested that interest costs should be included if an investor uses leveraging or has borrowed stock on margin. If the figure is not known, the report should state that the investor should add the interest expense to his/her total investing cost. If regulators decide not to include interest charges, the report should explicitly state that any costs incurred for leveraging are not included in the report.</p> <p>One investor advocate further suggested that foreign exchange fees be included since their disclosure is opaque because the conversion is subsumed in the exchange rate charged.</p>	<p>or derivatives, as opposed to other types of products.</p> <p>We have added a mandatory notification to clients, in the cases where it would be appropriate, that the fees reported may not include any fees the client pays directly to third parties, including custodial fees, intermediary fees or interest charges which may be deducted from the client's account.</p> <p>We have also added a mandatory notification concerning the embedded fees which may be associated with ownership of products which are not included within the scope of the Securities Amendments, such as structured products.</p>
<i>Presentation of costs as a percentage of total portfolio in ARCC</i>		
21.	<p>An industry association recommended stating the cost as a percentage of the total portfolio next to each section of the total cost reporting table that details the cost in dollars. According to this commenter, this will give investors a better understanding of the portion of their total cost that is attributable to each line item, as well as their total weighted average cost.</p> <p>An investor advocate also suggested adding a footnote which would disclose a client's total costs as a percentage of their portfolio. This commenter believed that it will encourage clients to put the cost of investing in perspective and, in turn, help in getting investors more engaged with value-for-money considerations.</p>	<p>We note that requiring the presentation of a client's total costs of investing as a percentage of their portfolio would have required additional consultations, notably to determine which calculation method should be used to calculate this percentage.</p> <p>For example, it could be calculated as a percentage of a client's current assets or as a percentage of a client's average monthly assets over the reporting period, which would better account for deposits and withdrawals made during the reporting period.</p> <p>We would also have concerns about adding to the amount and complexity of information in the ARCC, as presenting too much information may</p>

	Comment	Response
		<p>in some cases be detrimental to investor understanding.</p> <p>For these reasons, we have not made the change.</p>
<i>Deferred Sales Charges (DSC) and Redemption Fees</i>		
22.	One industry commenter recommended that the proposed footnote concerning DSC should be adjusted to reference the prospectus or fund facts at the time the units or shares were purchased, as DSC options are no longer offered.	We agree and have modified the notification concerning DSC to reference the prospectus or fund facts document made available at the time of purchase.
<i>Specify in notification that DSC are not paid to dealer</i>		
23.	One industry commenter suggested modifying the notification concerning DSC to specify that redemption fees are not received by the dealer or dealing representative, to avoid investor confusion.	No changes were made. We believe that the mention in the notification that the redemption fee is payable to the investment fund company is sufficient to avoid investor confusion.
<i>Direct investment fund charges</i>		
24.	An industry commenter asked that we clarify whether amounts charged by other parties such as dealers, registered plan administrators and custodians are intended to be included since those “other parties” are not included in the definition of “direct investment fund charges”.	We have clarified in the Securities Amendments that direct investment fund charges include amounts charged to the client by an investment fund, IFM or any other party, in relation to securities of investment funds owned by the client during the period covered by the report.
<i>Newly established funds</i>		
25.	Many industry commenters and an investor advocate mentioned that the Proposals do not address new funds for which the MER and TER are not available and many suggested that they be excluded until year two and there is an established MER and TER.	We have added new provisions specifying in which circumstances cost information about newly established funds may be excluded, considering that this information may not be available for those funds. In the case where such information is excluded, a notification must be included in the report.

	Comment	Response
<i>Taxes – Separate tax deductible and non-deductible fees</i>		
26.	An industry commenter recommended that a separate line item be added below the total cost disclosure that provides the tax-deductible portion of the disclosed fees.	<p>The purpose of the ARCC is to provide investors with information on their costs and other compensation received by registrants in connection with their accounts.</p> <p>It is not intended to be a substitute for other sources of information that provide information for tax purposes.</p>
<i>Exclude or disclose sales taxes as a separate line item</i>		
27.	<p>Some industry commenters and an investor advocate noted that sales taxes are significant.</p> <p>One commenter recommended that they be disclosed as a separate line item even where taxes are already included under an existing reportable (i.e., MER).</p> <p>An industry association also suggested excluding taxes from the MER calculation.</p>	<p>We believe that investors and policy holders should be made aware of their actual total costs of investing, which should include sales taxes, when applicable.</p>

#### D. CALCULATION METHODOLOGY

	Comment	Response
<i>Calculation methodology and format should be prescribed</i>		
28.	Industry commenters and some investor advocates suggested that the calculation methodology and format should be prescribed.	<p>The Securities Amendments prescribe the calculation methodology for determining required cost information.</p> <p>We have also made changes to the Securities Amendments and added guidance to clarify the calculation methodology for information required to be reported.</p>

	Comment	Response
<i>Suggested calculation methodology for fund expenses</i>		
29.	<p>An industry association recommended using the following methodology for calculating fund expenses:</p> <p>Determine the reporting date cost per unit/share calculated as <math>A/B = C</math>, where:</p> <p>Reporting date = a day on which fund purchase/sale transactions are allowed. This could be either daily or monthly.</p> <p>A = the expenses charged/accrued to each class/series of the fund for the reporting date. This is done by the IFM, or the administrator, as part of the calculation of NAV.</p> <p>B = determine the number of units/shares of the class or series outstanding on the reporting date.</p> <p>Calculate <math>A/B = C</math>. This provides a clear allocation of actual fund dollars to a unit holder on the reporting date and is reconcilable to the fund f/s since actual dollars accrued are allocated. If the fund is valued monthly, or on some other period, this value would be divided by the number of days in the reporting period to determine a daily cost. The daily value from a Friday would be assumed to apply to the following Saturday and Sunday.</p> <p><i>Impact on accuracy of using annualized ratios in calculation methodology</i></p> <p>Some industry commenters also stated that, since the MER and TER are annualized ratios, applying them daily will not necessarily be representative of how the fund is incurring expenses over time. This may be especially the case if the MER includes performance fees.</p>	<p>We have revised the calculation method for fund expenses, which is now based on the FER for the day for each day that a fund was owned by a client during the reporting period, in order to enhance the accuracy of this calculation and avoid potential implementation issues.</p> <p>This will ensure that that performance fees incurred at varying periods of the year and material changes in a fund's FER throughout the year are accurately accounted for.</p> <p>We expect that the FER for the day will reflect the actual expenses charged or accrued to each security of the applicable class or series of the investment fund for that day.</p> <p>We note that the Securities Amendments continue to allow for the use of reasonable approximations.</p>



	Comment	Response
<i>Use of NAV or market value (Securities question 3)</i>		
30.	<p>Some commenters were in favour of using the net asset value (NAV) per security for the purposes of the fund expenses calculation, while others supported using the market value. One argument for using the NAV is that it's readily available for conventional mutual funds.</p> <p>However, some commenters recommended using market value instead of the NAV for investment funds that trade on a stock exchange.</p>	<p>We have replaced references to the NAV with references to the market value, which must be determined according to section 14.11.1. of NI 31-103 [<i>Determining market value</i>].</p> <p>This provision and accompanying guidance prescribe the methodology which must be used to determine market value, which will, in some cases, be determined by reference to a fund's NAV.</p>
<i>Number of days to be used in calculations</i>		
31.	<p>Many industry commenters recommended using a 365-day period for calculating the fund expenses, but highlighted that it would be challenging for products which do not have daily valuations.</p>	<p>We have removed the specific reference to a period of 365 days in the formula for calculating fund expenses to instead require that they be calculated based on the FER for the day for each day that a fund was owned by a client during the reporting period, in order to enhance the accuracy of this calculation and avoid potential implementation issues.</p> <p>We note that the Securities Amendments continue to allow for the use of reasonable approximations.</p>
<i>Clarifications for funds with no daily NAV or other</i>		
32.	<p>Many securities industry commenters requested clarifications and guidance for funds that no longer strike a NAV, do not strike a daily NAV (e.g., weekly, monthly, or quarterly NAV), and with respect to funds with delayed NAVs, which are common in private market products.</p>	<p>Registrants should use their professional judgment and refer to section 14.11.1. of NI 31-103 [<i>Determining market value</i>] and appropriate guidance in order to determine the market value per security in the case of funds which do not strike a daily NAV, no longer strike a NAV or use a delayed NAV.</p> <p>We have also required IFMs to make any adjustments which are reasonably necessary to accurately determine the</p>

	Comment	Response
		<p>amount of fund expenses per security for the day. These could include adjustments to address these circumstances.</p> <p>We note that the Securities Amendments continue to allow for the use of reasonable approximations, which may be appropriate in the case where no NAV or market value was calculated or was available for the day.</p> <p>We also note that we have excluded prospectus-exempt investment funds from the scope of the Securities Amendments, which more frequently do not strike a daily NAV or use a delayed NAV.</p>
<i>TER calculation issues</i>		
33.	<p>Some industry commenters indicated that while the MER is generally stable day-to-day, the TER exhibits a higher degree of variability depending on fund flows and changes in portfolio holdings and can be distorted by significant purchases or redemptions of a fund activity in the fund. Therefore, applying a TER as of a specific point in time, such as the most recently published TER, could lead to inaccurate reporting.</p>	<p>We have revised the formula for calculating fund expenses, so that it be based on the calculation of the FER for the day of each day that a client owned the fund.</p> <p>We expect that the FER for the day will reflect the actual expenses charged or accrued to each security of the applicable class or series of the investment fund for that day, including trading expenses included in a fund's TER.</p> <p>We also note that the Securities Amendments continue to allow the use of reasonable approximations.</p> <p>We believe this will be sufficient to ensure accurate reporting of the expenses included in the TER, while minimizing the burden for registrants.</p>

	Comment	Response
<i>Fund expenses calculation</i>		
34.	<p>A securities industry commenter noted that section 14.17(6) provides a formula to be used where the term “A” used in the formula cross-references section 14.1.1(2) which only includes the FER.</p> <p>This commenter stated that it would provide an accurate calculation for the amounts in section 14.17(1)(i)(b), but does not believe that it would be correct for expenses charged directly to the investor described in section 14.17(1)(i)(a).</p>	<p>We have removed the requirement in subparagraph 14.17(1)(i)(a) to report the amount of fund expenses charged to the client by an investment fund, its IFM or any other party, as it was duplicative with the requirement to report direct investment fund charges under paragraph 14.17(1)(j).</p>

#### E. USE OF ESTIMATES AND APPROXIMATIONS

	Comment	Response
<i>Allow use of approximations based on existing disclosure</i>		
35.	<p>Many industry commenters were of the view that IFMs should be able to rely on approximations based on an investment fund’s most recent Fund Facts/ETF Facts document, prospectus, or management report of fund performance (MRFP). An investor advocate also viewed approximations as an acceptable imperfection.</p> <p>An industry commenter suggested that IFMs should apply uniform assumptions or approximations to provide meaningful information to investors.</p> <p>A securities industry association also suggested making it mandatory for IFMs to provide approximate cost information based on an investment fund’s most recent Fund Facts/ETF Facts document, prospectus, or MRFP.</p>	<p>The Securities Amendments continue to allow, but not require, registrants to use reasonable approximations where they would not result in misleading information being reported to clients.</p> <p>We have removed the requirement that approximations must be based on information found in a fund’s most recently disclosed fund facts document, ETF facts document, prospectus or management report of fund performance in order to grant registered firms additional flexibility in using approximations and to minimize the regulatory burden imposed. We have however provided guidance that those documents can generally be relied on for these purposes.</p> <p>We have not made the use of approximations mandatory, as we believe that investors should receive</p>

	Comment	Response
		<p>exact information whenever possible without unreasonable cost or delay.</p> <p>We have added guidance which strongly encourages IFMs to provide exact information, whenever available, considering that doing so would enhance investor understanding of their costs of investing.</p> <p>We have also taken into account comments by dealers and advisers who highlighted the importance of receiving accurate and timely information in order to report reliable data to their clients.</p> <p>We believe that this adequately balances the regulatory burden, while maximizing investor awareness and understanding of their costs of investing.</p> <p>We also note that we have established the Implementation Committee which may assist industry stakeholders in the development of common standards.</p>
<i>Requirement that approximations should not result in misleading information being reported to clients should be struck</i>		
36.	<p>An industry association requested the removal of the prohibition on the use of approximations if the IFM reasonably believes that doing so would cause the information disclosed in the statement or report to be misleading.</p> <p>According to this commenter, the standard places too high a burden on IFMs, is subjective and places a significant legal obligation to report information rather than using estimates.</p>	<p>We have not removed the requirement that approximations used must not result in misleading information being reported to a dealer or adviser's clients.</p> <p>We continue to believe that the inclusion of this requirement is necessary, as misleading information should not be reported to clients, and that the test of "reasonable belief" will adequately balance the potential burden imposed on IFMs.</p>

	Comment	Response
	This commenter also highlighted that IFMs are already subject to an obligation not to provide misleading information to investors.	We also considered that the existing legal and regulatory duties which apply to IFMs when transmitting information to dealers and advisers may not be sufficiently specific to adequately prevent misleading information from being reported to clients.
<i>Make explicit allowance of estimates and threshold for “misleading” disclosure</i>		
37.	An industry commenter stated that the threshold for “misleading” disclosure should be made explicit in requirements.	Registrants should use their professional judgment to determine when the use of an approximation could result in misleading information being reported to clients. Attempting to prescribe in advance the threshold for misleading disclosure risks omitting unforeseen circumstances and precluding a reasonable evaluation by registrants.
<i>Relying on outdated information</i>		
38.	<p>An industry association stated that the requirement that an IFM must not rely on previously publicly disclosed MER and TER information if it is outdated or if the IFM reasonably believes doing so would cause the information in the statement or report to be misleading should be struck. The rationale for doing so is that at the time dealers and advisers prepare their December 31 client statements, the most recent MER and TER figures available for most ETFs will be as of the previous June 30 (i.e., six months old).</p> <p>Consequently, the requirement would, in some circumstances, require IFMs to revise the MER and TER figures for an ETF between already regulated disclosure intervals.</p>	<p>We have removed the requirement that reasonable approximations must be based on information in a fund’s most recently disclosed fund facts document, ETF facts document, prospectus or management report of fund performance in order to grant registered firms additional flexibility in using approximations and to minimize the regulatory burden imposed.</p> <p>We have also removed the prescription that registrants must not rely on outdated information, as we consider that the requirement that the approximations used must be reasonable and must not result in misleading information being reported to a dealer or adviser’s clients are sufficient to ensure adequate investor protection.</p>

	Comment	Response
<i>Add/remove or modify notifications regarding use of approximations</i>		
39.	<p>Some industry commenters suggested that the requirements to disclose a description of the assumption or approximation should be removed.</p> <p>They suggested that a notification be added explaining that the provided data are estimates based on the historical MER and TER of the fund and reflect the estimated costs that could be incurred in connection with the investor's holdings.</p>	<p>We have removed the requirement to report a description of the assumptions or approximations used.</p> <p>We considered the potential burden of reporting such descriptions, as well as the fact that this could result in overly lengthy disclosure to clients, as the approximations or assumptions used may vary for each investment fund.</p> <p>The Securities Amendments however require inclusion of a notification that reported cost information is based on an approximation or any other assumption, when that is the case.</p>
<i>Double counting of trailing commissions</i>		
40.	<p>One industry commenter highlighted that under the Proposals, there is potential for trailing commissions to be double counted, since the MER already includes trailing commissions.</p> <p>A securities industry association similarly stated that the presentation of the ARCC raises the issue of potential double counting because a client could add the "Your total cost of investing" amount in the "What you paid" table and the "Total we received for advice and services we provided to you" amount in the "Our Compensation table".</p> <p>This commenter suggested using an alternative prototype provided in its submission, which deducts the amount of the trailing commissions from the amounts indirectly paid to the IFMs and/or investment funds and adds it to the amounts paid to the dealer or adviser.</p>	<p>We took into account potential concerns regarding disclosure of trailing commissions in developing the Proposals and have made changes to the sample documents to clarify that the fund expenses include trailing commissions.</p> <p>We have however avoided making extensive changes to the proposed sample documents, which were developed following testing by IORBIT of various prototypes to determine which ones would be most effective in maximizing investor or policyholder's comprehension of cost information.</p> <p>We also note that trailing commissions will not be double-counted in the investor's total costs of investing required to be reported under paragraph 14.17(1)(l).</p>

## F. IFMs' DUTY TO PROVIDE INFORMATION

	Comment	Response
<i>Guidance that IFMs must work with advisors and dealers</i>		
41.	<p>A securities industry association suggested that guidance indicating that IFMs must work with advisors and dealers to determine the dealer and advisor data needs be removed. Instead, the rules should set out the required data that IFMs need to provide dealers.</p> <p>Another industry commenter, however, noted that IFMs send hundreds of data points to data providers and that dealers and IFMs work diligently to exchange holdings and price details with FundSERV, CDS and custodians. According to this commenter, there is no reason they will not be able to do the same for the benefit of their clients.</p>	<p>We believe that the principles-based requirements specified in section 14.1.1 of NI 31-103 that IFMs must work with advisors and dealers are adequate.</p>
<i>Request for regulators to set timelines and uniform standards</i>		
42.	<p><i>Request for regulators to set timelines</i></p> <p>Some industry commenters requested that an industry standard be provided for what is a reasonable period of time, as that concept is used in section 14.1.1, to ensure consistency across the industry, or that regulator. Another commenter requested guidance from the regulator regarding an “as at” date for alignment across the industry, as MERs and TERs are calculated on certain cycles for each fund and vary across fund families and fund managers.</p> <p>A securities industry association suggested that regulators prescribe a maximum period of time for IFMs to provide information to dealers.</p> <p>An industry commenter also pointed out that delays by IFMs in delivering cost information would impact delivery of all client reporting.</p>	<p>We believe that the principles-based requirements specified in section 14.1.1 of NI 31-103 are adequate.</p> <p>We expect IFMs to work with the dealers and advisers who distribute their funds to determine what information they need from them and how it will be delivered in order to satisfy the dealers’ and advisers’ client reporting obligations.</p> <p>We strongly encourage the development of common standards and arrangements for its delivery across the industry, but acknowledge that those arrangements may sometimes vary, reflecting different operating models and information systems.</p> <p>We also note that IFMs are already required to transmit certain information to dealers and advisers under the existing CRM2</p>

	Comment	Response
	<p><i>Request for uniform standards</i></p> <p>A commenter also indicated that there must be a uniform standard of what information is required to be provided by the IFM to the dealer, and when that information must be delivered.</p> <p>Another commenter highlighted that, from an IFM perspective, significant work would have to be done to ensure consistency in: (i) calculation methodology and (ii) reporting format.</p>	<p>requirements, for example concerning the amount of the trailing commission paid to the dealer or adviser.</p> <p>We have established the Implementation Committee which will work jointly with industry to provide guidance, respond to questions and assist registrants to operationalize the Securities Amendments. This could include assisting registrants in determining appropriate standards and timelines for transmission of information.</p>

## G. DEALER RELIANCE ON IFMS

	Comment	Response
<i>Dealers and advisers should be able to fully rely on IFMs</i>		
43.	<p>Many industry commenters were of the view that dealers and advisers should be able to fully rely on cost information provided to them by IFMs or on IFMs disclosure documents without having to make additional validations themselves stating the impracticality for dealers to source and calculate cost data where the IFM does not provide total cost data (e.g., ETFs and foreign funds).</p> <p>As such, industry commenters recommended that, in cases where the required information is not provided by the IFMs or unavailable, no information should be reported, and the dealer should indicate that the information is unavailable/unreported.</p> <p>One commenter recommended that the required information be excluded from calculations if the registrant has not obtained it from an IFM within a reasonable timeframe.</p>	<p>We agree that dealers and advisers should generally be able to rely on cost information provided to them by IFMs. We have clarified both through guidance and changes to the Securities Amendments that we do not expect dealers and advisers to routinely undertake a due diligence review of the information provided to them by IFMs, outside of certain exceptional circumstances.</p> <p>However, we believe that in those exceptional circumstances, for example in the case of foreign funds for which no cost information is provided by a registered IFM, dealers and advisers should be required to make reasonable efforts to obtain this information, subject to considerations about the materiality and costs of doing so. We expect dealers and advisers to exercise their professional</p>



	Comment	Response
	Furthermore, some commenters recommended that the proposed section 14.17.1 be revised and some provisions, such as s. 14.17.1 (2) and (3), be deleted entirely.	<p>judgment in determining when such exceptional circumstances apply.</p> <p>We believe this adequately balances the regulatory burden imposed, while maximizing investor and policy holder awareness of their costs of investing.</p>
<i>Require IFMs to ensure accuracy of information transmitted</i>		
44.	An industry commenter recommended that IFMs be required to ensure processes are in place to ensure the accuracy of the information provided to dealers, since dealers are not afforded any protection from investor complaints if the IFM's information proves to be inaccurate or prevents dealers from getting the client statements out in a timely manner.	<p>We note that registered IFMs must establish, maintain and apply policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance that the firm and each individual acting on its behalf complies with securities legislation. This includes complying with their duty to provide required information to dealers and advisers.</p> <p>We also note that any approximations used by IFMs must be reasonable and cannot result in misleading information being reported to clients.</p> <p>We have also added guidance encouraging IFMs to provide exact information wherever they are able to do so without unreasonable cost or delay.</p> <p>We believe this will be sufficient to ensure that misleading information is not reported to the dealer or adviser's clients.</p>
<i>Implementation costs for dealers</i>		
45.	One industry commenter stated that the Proposals put the onus on dealers to compile and present very detailed information, in reliance on an unverifiable third-party source of information, that will involve significant system and technology builds and an	We believe that the Securities Amendments adequately balance the regulatory burden imposed, while maximizing investor and policy holder awareness of their costs of investing.

	Comment	Response
	<p>enormous amount of data from many service providers, as dealers are being asked to ingest, calculate, and publish detailed, unverified information for costs they do not collect nor control.</p>	<p>We have clarified through guidance that dealers and advisers should generally be able to rely on cost information provided to them by IFMs and that we do not expect dealers and advisers to routinely undertake a due diligence review of the information provided to them by IFMs, outside of certain exceptional circumstances.</p> <p>We also believe that the extended transition period should provide registrants with sufficient time to develop the necessary infrastructure to transmit the required cost information.</p>

## H. ISSUES RELATED TO SPECIFIC PRODUCT TYPES

	Comment	Response
<i>ETFs</i>		
46.	<p>Industry commenters noted that ETF IFMs do not have access to investors' identities, which are only accessible to dealers and advisers.</p> <p>Commenters also expressed concerns regarding the lack of standards within the industry as to how ETFs are treated, with certain dealers treating them as equity, making it difficult to calculate their cost.</p> <p>An industry commenter noted that, as the TER is driven by portfolio transactions executed by ETFs, it is not possible for an IFM to determine at any point whether the current TER will be the same as the publicly disclosed TER.</p>	<p>We believe that the extended transition period should provide registrants with sufficient time to develop the required infrastructure and resolve any implementation related to the inclusion of ETFs.</p> <p>We have also established the Implementation Committee which will work jointly with industry to assist registrants to operationalize the Securities Amendments.</p> <p>We also note that the Securities Amendments continue to allow the use of reasonable approximations. We believe that the use of such approximation may be appropriate in cases where a precise figure for daily trading costs included in a fund's TER</p>

	Comment	Response
		would be overly costly or burdensome to determine.
<i>Foreign funds</i>		
47.	<p>Many industry commenters recommended excluding foreign investment funds from the scope of the Proposals, because they may use a different calculation methodology for the required MER and TER figures, or do not provide them altogether.</p> <p>On the contrary, an industry commenter noted that allowing the use of methodologies used in foreign markets would be a close approximation for costs incurred by Canadian investors (for example, for foreign ETFs). This commenter further speculated that IFMs and dealers are already adjusting costs disclosed by foreign-listed funds to make an apples-to-apples comparison and meet suitability requirements.</p> <p>One industry commenter was also concerned that foreign investment funds would cease to offer their products to Canadians as a result of the new requirements. Commenters also noted that foreign investment funds are not traded on Fundserv.</p>	<p>The Securities Amendments continue to mandate the inclusion of foreign funds, considering the importance for investors to be aware of their total costs of investing, as well as the importance of ensuring a level playing field between Canadian and foreign funds.</p> <p>We believe that the extended transition period should provide registrants with sufficient time to develop the required infrastructure and resolve any implementation related to the inclusion of foreign funds.</p>
<i>Calculation issues specific to foreign funds</i>		
48.	<p>An industry commenter noted that the Total Expense Ratio is used in the US, as opposed to the MER.</p> <p>Another industry commenter highlighted that while U.S. funds generally disclose the dollar amount of fund-level brokerage commissions in the Statement of Additional Information (SAI), this commenter was not able to obtain such information for U.S. closed-end fund, making TER calculations impossible.</p> <p>This commenter also noted that cost data for all U.S. funds is not available in an electronic format to feed into Canadian registrants'</p>	<p>In the case of information required to be reported for a foreign investment fund, we believe it would generally be acceptable for registrants to report a reasonable approximation based on similar information which is required to be reported in the foreign fund's jurisdiction, if more accurate information cannot be obtained by other means using reasonable efforts.</p> <p>For example, we believe that the following could generally be considered a reasonable</p>

	Comment	Response
	reporting systems, or that it would be challenging to obtain.	<p>approximation of a foreign fund's FER:</p> <ul style="list-style-type: none"> <li>• for a US mutual fund, its total expense ratio;</li> <li>• for a fund to which the Undertakings for the Collective Investment in Transferable Securities (UCITS) framework applies, its ongoing charges.</li> </ul> <p>We also believe that third-party service providers may be able to develop their service offering and assist registrants in accessing data about foreign funds.</p>
<i>Enforcement of regulation outside of Canada</i>		
49.	One commenter expressed the view that applying the TCR requirements to non-Canadian fund managers would give rise to the extraterritorial application of Canadian regulation, which would be problematic.	<p>We agree that if the manager of a fund is not required to register as an IFM in a CSA jurisdiction, it will not be subject to the requirements of NI 31-103, including those related to the delivery of information to Canadian dealers and advisers. We are not proposing to enforce this requirement on foreign investment fund managers not required to register as an IFM.</p> <p>In such circumstances, dealers and advisers must make reasonable efforts to obtain or determine this information or a reasonable approximation.</p> <p>We believe this adequately balances the regulatory burden imposed, while maximizing investor awareness and understanding of their costs of investing.</p> <p>We have also added in the ARCC a notification to clients who have foreign funds in their accounts.</p>

	Comment	Response
<i>Reporting issue for funds holding foreign funds</i>		
50.	<p>An industry association noted that if a fund of funds is unable to obtain cost information from non-Canadian fund managers, it will not be able to accurately report its expenses. This commenter suggested providing an exemption from the TCR requirements to allow the NI 81-102 fund to report the total cost, excluding U.S. ETFs. A note would be added, indicating that it does not include foreign investment fund total cost, as this is not available.</p> <p>Other commenters noted that similar issues would apply in the case of prospectus-exempt funds.</p>	<p>Investment funds subject to National Instrument 81-102 <i>Investment Funds</i> are generally already required to report their MER and TER according to the requirements in National Instrument 81-106 <i>Investment Fund Continuous Disclosure</i>. Section 15.2 of that regulation specifies how the MER should be calculated in the case of a fund of funds.</p> <p>The Securities Amendments will not modify cost reporting requirements that apply to investment funds. We have also exempted prospectus-exempt funds from the scope of the amendments. As such, no change is required.</p>

## I. DISCLOSURE FORMAT

	Comment	Response
<i>Format of ARCC</i>		
51.	<p>We received mixed feedback on whether to prescribe the format of the ARCC.</p> <p>Several industry members identified a need for flexibility to implement the Proposals and adapt them to their client base.</p> <p>Several investor advocates asked that the format of the ARCC be mandated. Their concerns included readability, which they thought could be better assured with prescribed fonts and layouts, and comparability across accounts at different firms.</p> <p>Some of these commenters expressed preferences for the formats of sample documents published during the earlier</p>	<p>We have adopted a flexible approach which allows registrants to make changes to the format of the reports. We believe that adopting a more prescriptive approach would be unduly limiting in view of the variety of business models used by registrants, and burdensome in that it might require firms that already report cost information to clients to make costly changes to the format of their client reports.</p> <p>As indicated in the notice of publication of the Proposals, we worked with IORBIT to develop prototypes for TCR-enhanced reports, which were tested with investors, to determine which ones would be most</p>

	Comment	Response
	<p>MFDA consultation process or proposed their own alternative content or formats.</p> <p>More specifically:</p> <ul style="list-style-type: none"> <li>• some commenters suggested that we develop our sample report through testing with investors and in collaboration with behavioural science experts;</li> <li>• an investor advocate suggested that we include a glossary of terms and include hyperlinks leading to expanded reporting details, terminology and calculators;</li> <li>• investor advocates recommended that the report contain language nudging investors to ask questions and take action, as well as provide a simple list of actions investors can take to lower costs, referencing research which indicates that investors are not aware of all the actions they can take based on the information they receive.</li> </ul> <p>Commenters also suggested including certain key elements, such as :</p> <ul style="list-style-type: none"> <li>• disclosure of a client's total costs of investing at the top of the report,</li> <li>• (1) the current value of a client's investments (2) how much their value increased or decreased (3) their cost of investing;</li> <li>• a brief description of the information in the report and why it's important</li> <li>• an explanation of how costs affect a client's returns</li> <li>• what steps a client can take if concerned about their costs</li> </ul>	<p>effective in maximizing investor comprehension of cost information.</p> <p>Considering that the sample document included in the Proposals was developed following this process, we have made the minimum changes necessary to this document in order to reflect changes to the Securities Amendments and address comments received. We also took into account that providing more information can sometimes reduce comprehension.</p> <p>We also note that many suggested elements, such as inclusion of clients' total costs of investing at the top of the report, have been included in the sample report.</p> <p>We have made changes to require the inclusion of a notification nudging investors to ask questions and take action based on the information in the report.</p>
<i>Revisiting point-of-sale disclosure documents</i>		
52.	We received comments encouraging greater integration of cost disclosure requirements in point-of-sale documents, such as the Fund Facts, and ongoing reports to clients, such as	We have referenced and made use of metrics from existing point-of-sale disclosure documents in developing

	Comment	Response
	the ARCC. Suggestions included designing cost disclosure and point-of-sale disclosures together with references to each other and employing common metrics and design features.	<p>the Proposals and Securities Amendments.</p> <p>We note that reviewing the format of current point-of-sale disclosure documents was beyond the scope of this project. Any proposals in this direction would require a further consultation as part of a separate regulatory project to consider their costs and benefits.</p> <p>We also considered it important that investors be provided with enhanced cost information at the earliest time possible.</p>
<i>Link cost, performance and other information</i>		
53.	A securities industry association and an investor advocate suggested linking performance information with costs in account statements to provide a better comparison of costs and performance among different investment funds and so that investor can understand cost information in relation to performance.	<p>Section 14.20 of NI 31-103 and corresponding New SRO rules provide that the ARCC and the Investment Performance Report (IPR) must be delivered together and must include information for the same 12-month period.</p> <p>We note that the ARCC is currently limited to presenting information about costs and compensation, while information about performance is presented in the IPR and information about a client's current holdings is presented in the account statement.</p> <p>An extensive review of the format and information presented in each of the ARCC, IPR and account statement was beyond the scope of this project and would have required additional consultations.</p> <p>We also note that registered firms and their representatives are expected to provide contextual information to clients about the costs of their</p>

	Comment	Response
		<p>investments in relation to investment performance and other relevant factors.</p> <p>Registered firms can also include additional information, including performance information, in the ARCC, if they believe doing so would enhance client understanding.</p> <p>If doing so, we strongly recommend that firms undertake behavioural testing to ensure that any additional information increases investor understanding and does not lead to investor confusion.</p>
<i>Modify notification concerning fund expenses</i>		
54.	<p>According to an industry commenter, the concern with respect to fund expenses can be more correctly stated as fund costs are relevant to the extent that the costs do not generate additional return.</p>	<p>We believe the mandated notification is accurate in stating that investment fund fees affect clients because they reduce the fund's returns, which in turn affects the performance of the client's portfolio.</p>
<i>Proposed notifications</i>		
55.	<p>An industry commenter suggested adding an additional explanation that ongoing fees such as MERs or TERs are charged by managers and not by dealers or salespeople.</p> <p>An industry association also suggested adding a notification that fees paid a client's advisor are in consideration for services provided by them.</p>	<p>The mandatory notification in section 14.17(1)(n)(i) includes an explanation that fund expenses are periodically deducted from the value of a client's investments by the companies that manage and operate those funds.</p> <p>We believe this notification adequately explains that fund expenses are charged by investment fund companies.</p> <p>We note that registered firms and representatives can provide information to clients about the value of the services they offer in exchange for their costs.</p>



	Comment	Response
		We also considered that providing more information can sometimes reduce comprehension and have strived to minimize the number of mandated notifications.

## J. EXEMPTIONS

	Comment	Response
<i>Exemptions for non-individual permitted clients</i>		
56.	A securities industry association recommended that the exemptions in 14.14.1(6) and 14.17(5) of NI 31-103 be expanded to include “overflow accounts” where a non-individual permitted client opens additional related accounts, as well as to health and welfare trusts, union and union-related benefit plans, multi-employer benefit plans, some foundations and registered charities, some overflow pension accounts, supplemental employee retirement plans, disability plans, First Nations trust vehicles and retirement compensation arrangements.	Expansion of the statutory exemptions in those sections was beyond the scope of this project. Exemptive relief orders have been provided for overflow accounts in the context of other regulatory projects. However, only a very small number of registrants have found it necessary to seek such relief. We therefore do not think that adding a statutory exemption is necessary, but will consider exemptive relief applications on this subject.

## K. LIST OF SECURITIES COMMENTERS

1	Advocis
2	The Alternative Investment Management Association (AIMA)
3	Arthur Ross
4	Banque Nationale / National Bank (BNC/NBC)
5	Borden Ladner Gervais (BLG)
6	Canadian Advocacy Council of CFA Societies Canada (CAC)
7	Canadian ETF Association (CETFA)
8	CARP
9	Citibank Canada Investment Funds Limited
10	FAIR Canada
11	Fasken Martineau DuMoulin LLP
12	Federation of Mutual Fund Dealers (FMFD)
13	Fidelity Investments
14	Financial Planning Association of Canada (FPAC)

15	Franklin Templeton
16	High Level Wealth Management
17	Highview
18	The Investment Funds Institute of Canada (IFIC)
19	IGM Financial Inc.
20	Investment Industry Association of Canada (IIAC)
21	Invesco Canada Ltd.
22	Investor Advisory Panel
23	Kenmar Associates
24	MICA Capital Inc.
25	Pacific Spirit Investment Management Inc.
26	Peter Whitehouse
27	Portfolio Management Association of Canada (PMAC)
28	Private Capital Markets Association of Canada (PCMA)
29	Raymond James Ltd.
30	Royal Bank of Canada (RBC)
31	Scotiabank
32	Steadyhand Investment Management Ltd.
33	TD

## ANNEX C

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

1. *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is amended by this Instrument.*

2. *Section 1.1 is amended by adding the following definitions:*

“direct investment fund charge” means an amount charged to a client if the client buys, holds, sells or switches securities of an investment fund, including any federal, provincial or territorial sales taxes paid on that amount, other than, for greater certainty, an amount included in the investment fund’s fund expenses;

“fund expense ratio” means the sum of an investment fund’s management expense ratio and trading expense ratio, expressed as a percentage;

“management expense ratio” has the same meaning as in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“newly-established investment fund” means,

- (a) for an investment fund required to file a management report of fund performance, as defined in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, a fund that has not yet filed that report, or
- (b) for an investment fund not referred to in paragraph (a), a fund established less than 12 months before the end of the period covered by the statement or report that is required to be delivered by the registered dealer or registered adviser under section 14.17;

“trading expense ratio” means the ratio, expressed as a percentage, of the total commissions and other portfolio transaction costs incurred by an investment fund to its average net asset value, calculated in accordance with paragraph 12 of item 3 of Part B of Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance* of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

3. *Section 14.1.1 is repealed and replaced with the following:*

#### **14.1.1 Duty to provide information – investment fund managers**

A registered investment fund manager of an investment fund must, within a reasonable period of time, provide a registered dealer or a registered adviser that has a client that owns securities of the investment fund with the information that is required by the dealer or adviser, in order for the

dealer or adviser to comply with paragraph 14.12(1)(c), subsections 14.14(4) and (5), 14.14.1(2) and 14.14.2(1) and paragraphs 14.17(1)(h), (i), (j), (m), (p), (q), (r) and (t)..

**4.     *The following section is added to Division 1 after section 14.1.1:***

**14.1.2 Determination of fund expenses per security**

- (1) For the purpose of section 14.1.1, with respect to the information required in respect of paragraph 14.17(1)(i), the registered investment fund manager must provide the fund expenses per security of the applicable class or series of securities of the investment fund for each day that the client owned those securities, expressed in dollars and calculated using the following formula, making any adjustments to A or B that are reasonably necessary to accurately determine C:

$A \times B = C$ , where

A = the fund expense ratio for the day of the applicable class or series of securities of the investment fund;

B = the market value of a security for the day of the applicable class or series of securities of the investment fund;

C = the fund expenses per security for the day in dollars for the investment fund class or series of securities.

- (2) Despite section 14.1.1 and subsection (1), unless the investment fund manager reasonably believes that doing so would result in misleading information being reported to clients of the registered dealer or registered adviser, a registered investment fund manager may
- (a) use a reasonable approximation of A or B for the purpose of calculating C in the formula in subsection (1), or
  - (b) provide a reasonable approximation of the information required to be provided for the purpose of paragraphs 14.17(1)(i), (j) or (m).
- (3) Despite section 14.1.1 and subsections (1) and (2), in the case of an investment fund that is a newly-established investment fund, the registered investment fund manager is not required to provide the information required under paragraphs 14.17(1)(i), (m) and (r)..

**5.     *Subsection 14.17 (1) is amended by adding the following after paragraph (h):***

- (i) the total amount of fund expenses charged to the investment fund by its investment fund manager or any other party, after making the necessary adjustments to add performance fees and deduct fee waivers, rebates or absorptions, in relation to securities of investment funds owned by the client during the period covered by the report, excluding any charges included in the amounts under paragraph (c) or (f);

- (j) the total amount of direct investment fund charges charged to the client by an investment fund, investment fund manager or any other party, in relation to securities of investment funds owned by the client during the period covered by the report, excluding any charges included in the amounts referred to in paragraph (c) or (f);
- (k) the total amount of the fund expenses reported under paragraph (i) and the direct investment fund charges reported under paragraph (j);
- (l) the total amount of the registered firm's charges reported under paragraph (d) and the investment fund expenses and charges reported under paragraph (k);
- (m) the fund expense ratio of each class or series of securities of each investment fund owned by the client during the period covered by the report, including any performance fees and deducting any fee waivers, rebates or absorptions;
- (n) if the client owned investment fund securities during the period covered by the report,
  - (i) the following notification or a notification that is substantially similar, in relation to the total amount of fund expenses reported:
 

*“Fund expenses are made up of the management fee (which includes trailing commissions paid to us), operating expenses and trading costs. You don’t pay these expenses directly. They are periodically deducted from the value of your investments by the companies that manage and operate those funds. Different funds have different fund expenses. They affect you because they reduce the fund’s returns. These expenses add up over time. Fund expenses are expressed as an annual percentage of the total value of the fund. They correspond to the sum of the fund’s management expense ratio (MER) and trading expense ratio (TER). These costs are already reflected in the current values reported for your fund investments.*

*The number shown here is the estimated total dollar amount you paid in fund expenses for all the investment funds you owned last year. This amount depends on each of your funds’ fund expenses and the amount you invested in each fund.”*, and
  - (ii) the following notification or a notification that is substantially similar, in relation to the fund expense ratios required to be reported under paragraph (m):
 

*“Please refer to the prospectus or fund facts document of each investment fund for more detailed information about fund expenses and fund performance.*

*Please refer to your latest account statement for more information about the market value and the number of securities of the investment funds you currently own.”*;
- (o) the following notification or a notification that is substantially similar:
 

*“What can you do with this information? Take action by contacting your advisor to discuss the fees you pay, the impact those fees have on the long-term performance of your portfolio and the value you receive in return. If you are a self-directed investor, consider how fees*

*impact the long-term performance of your portfolio, and possible ways to reduce those costs.”;*

- (p) if the client owned investment fund securities during the period covered by the report and any deferred sales charges were paid by the client, the following notification or a notification that is substantially similar:

*“You paid this cost because you redeemed your units or shares of a fund purchased under a deferred sales charge (DSC) option before the end of the redemption fee schedule and a redemption fee was payable to the investment fund company. Information about these and other fees can be found in the prospectus or fund facts document for each investment fund made available at the time of purchase. The redemption fee was deducted from the redemption amount you received.”;*

- (q) if the client owned investment fund securities during the period covered by the report and direct investment fund charges, other than deferred sales charges, were charged to the client, a short explanation of the type of fees that were charged;
- (r) if information reported under paragraph (i), (j) or (m) is based on an approximation or any other assumption, a notification that this is the case;
- (s) if any structured product, labour sponsored investment fund or investment fund the securities of which are distributed solely under an exemption from the prospectus requirement was owned by the client during the period covered by the report, the following notification or a notification that is substantially similar:

*“Please note that other products you may own or may have owned during the reporting period, such as exempt-market investment funds, labour-sponsored investment funds or structured products, may have embedded fees that are not reported here. You can contact us for more information.”;*

- (t) if the securities of an investment fund were owned by the client during the period covered by the report, the manager of the investment fund is incorporated, continued or organized under the laws of a foreign jurisdiction, and the information reported for those securities under paragraphs (i), (j) or (m) is based on information disclosed under the laws of a foreign jurisdiction, the following notification or a notification that is substantially similar:

*“This report includes information about the fund expenses and fund expense ratio of foreign investment funds. Please note that this information may not be directly comparable to equivalent information for Canadian investment funds, that may include different types of fees.”;*

- (u) if the registered firm knows or has reason to believe that the client paid, to third parties, custodial fees, intermediary fees or interest charges related to securities owned by the client during the period covered by the report and those fees or charges are not required to be

reported to the client by a registrant under this section, the following notification or a notification that is substantially similar:

*“The costs in this report may not include any fees you pay directly to third parties, including custodial fees, intermediary fees or interest charges that may be deducted from your account. You can contact those service providers for more information.”.*

**6. Section 14.17 is amended by adding the following subsections:**

- (6) The total amount of fund expenses referred to in paragraph (1)(i) must be determined by adding together the daily fund expenses for each class or series of securities of each investment fund owned by the client for each day that the client owned it during the reporting period, using the following formula to calculate the daily fund expenses:

$A \times B = C$ , where

A = the fund expenses per security for the day of the applicable class or series of securities of an investment fund calculated in dollars using the formula in subsection 14.1.2(1);

B = the number of securities owned by the client for that day;

C = the daily fund expenses in dollars for a class or series of securities of an investment fund.

- (7) Despite paragraphs (1)(i), (m), and (r), a registered firm may exclude the information required to be reported for an investment fund under those paragraphs if the fund is a newly-established investment fund and the following notification or a notification that is substantially similar is included:

*“The total amount of fund expenses reported may not include cost information for newly-established investment funds.”*

- (8) Despite paragraphs (1)(i), (j) and (m), if a reasonable approximation was provided by an investment fund manager under subsection 14.1.2(2), or if the registered firm obtained or determined a reasonable approximation under paragraph 14.17.1(2)(a), the firm may report a reasonable approximation of the information required to be reported under paragraphs (1) (i), (j) and (m).

- (9) For the purposes of paragraphs (1)(i), (j), (m), (n), (p), (q), (r) and (u), subsections (6), (7), and 14.1.2(3) and section 14.17.1, an investment fund does not include:

(a) a labour sponsored investment fund, or

(b) an investment fund whose securities are distributed solely under an exemption from the prospectus requirement..

**7.     *The following section is added:***

**14.17.1         Reporting of fund expenses and direct investment fund charges**

- (1)     Subject to subsection (2), for the purposes of paragraphs 14.17(1)(i), (j), (m), (p), (q), (r) and (t), the information required to be delivered to clients by a registered dealer or registered adviser must be based on the information provided under section 14.1.1.
  - (2)     If no information is provided under section 14.1.1, or the registered firm reasonably believes that any part of the information provided pursuant to section 14.1.1 is incomplete or that relying on it would cause information required to be delivered to a client to be misleading, that firm must
    - (a)     make reasonable efforts to obtain or determine the information referred to in subsection (1), or obtain or determine a reasonable approximation of that information, by other means, and
    - (b)     subject to subsection (3), rely on the information obtained or determined under paragraph (a).
  - (3)     If the registered firm reasonably believes it cannot obtain or determine information under paragraph (2)(a) that is not misleading, that firm must exclude the information from the calculation of the amount of fund expenses or direct investment fund charges reported to the client, as the case may be, or, in the case of a fund expense ratio, must not report the fund expense ratio, and must disclose that the information is excluded or not reported, as the case may be, in the relevant statement or report..
8.     (1)     This Instrument comes into force on January 1<sup>st</sup>, 2026.
- (2)     In Saskatchewan, despite subsection (1), if this Instrument is filed with the Registrar of Regulations after January 1, 2026, this Instrument comes into force on the day on which it is filed with the Registrar of Regulations.



## ANNEX D

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

#### **1.1 Definitions of terms used throughout this Regulation**

In this Instrument (...)

“direct investment fund charge” means an amount charged to a client if the client buys, holds, sells or switches securities of an investment fund, including any federal, provincial or territorial sales taxes paid on that amount, other than, for greater certainty, an amount included in the investment fund’s fund expenses;

“fund expense ratio” means the sum of an investment fund’s management expense ratio and trading expense ratio, expressed as a percentage;

“management expense ratio” has the same meaning as in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

“newly-established investment fund” means,

- (a) for an investment fund required to file a management report of fund performance, as defined in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, a fund that has not yet filed that report, or
- (b) for an investment fund not referred to in paragraph (a), a fund established less than 12 months before the end of the period covered by the statement or report that is required to be delivered by the registered dealer or registered adviser under section 14.17;

“trading expense ratio” means the ratio, expressed as a percentage, of the total commissions and other portfolio transaction costs incurred by an investment fund to its average net asset value, calculated in accordance with paragraph 12 of item 3 of Part B of Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance* of National Instrument 81-106 *Investment Fund Continuous Disclosure*;

(...)

##### **14.1.1 Duty to provide information – investment fund managers**

A registered investment fund manager of an investment fund must, within a reasonable period of time, provide a registered dealer or a registered adviser that has a client that owns securities of the investment fund with the information that is required by the dealer or adviser, in order for the

dealer or adviser to comply with paragraph 14.12(1)(c), subsections 14.14(4) and (5), 14.14.1(2) and 14.14.2(1) and paragraphs 14.17(1)(h), (i), (j), (m), (p), (q), (r) and (t).

#### **14.1.2 Determination of fund expenses per security**

- (1) For the purpose of section 14.1.1, with respect to the information required in respect of paragraph 14.17(1)(i), the registered investment fund manager must provide the fund expenses per security of the applicable class or series of securities of the investment fund for each day that the client owned those securities, expressed in dollars and calculated using the following formula, making any adjustments to A or B that are reasonably necessary to accurately determine C:

$A \times B = C$ , where

A = the fund expense ratio for the day of the applicable class or series of securities of the investment fund;

B = the market value of a security for the day of the applicable class or series of securities of the investment fund;

C = the fund expenses per security for the day in dollars for the investment fund class or series of securities.

- (2) Despite section 14.1.1 and subsection (1), unless the investment fund manager reasonably believes that doing so would result in misleading information being reported to clients of the registered dealer or registered adviser, a registered investment fund manager may
- (a) use a reasonable approximation of A or B for the purpose of calculating C in the formula in subsection (1), or
  - (b) provide a reasonable approximation of the information required to be provided for the purpose of paragraphs 14.17(1)(i), (j) or (m).
- (3) Despite section 14.1.1 and subsections (1) and (2), in the case of an investment fund that is a newly-established investment fund, the registered investment fund manager is not required to provide the information required under paragraphs 14.17(1)(i), (m) and (r).

(...)

#### **14.17. Report on charges and other compensation**

- (1) For each 12-month period, a registered firm 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 registered firm'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 paragraph (b) and the transaction charges reported under paragraph (c);
- (e) if the registered firm 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 firm applied on the purchases or sales of debt securities;
  - (ii) the total amount of any commissions charged to the client by the firm on the purchases or sales of debt securities and, if the firm 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) 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, other than a trailing commission, that is made to the registered firm or any of its registered individuals 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;
- (h) if the registered firm 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, fund facts document for each fund.”;*

- (i) the total amount of fund expenses charged to the investment fund by its investment fund manager or any other party, after making the necessary adjustments to add performance fees and deduct fee waivers, rebates or absorptions, in relation to securities of investment funds owned by the client during the period covered by the report, excluding any charges included in the amounts under paragraph (c) or (f);
- (j) the total amount of direct investment fund charges charged to the client by an investment fund, investment fund manager or any other party, in relation to securities of investment funds owned by the client during the period covered by the report, excluding any charges included in the amounts referred to in paragraph (c) or (f);
- (k) the total amount of the fund expenses reported under paragraph (i) and the direct investment fund charges reported under paragraph (j);
- (l) the total amount of the registered firm’s charges reported under paragraph (d) and the investment fund expenses and charges reported under paragraph (k);
- (m) the fund expense ratio of each class or series of securities of each investment fund owned by the client during the period covered by the report, including any performance fees and deducting any fee waivers, rebates or absorptions;
- (n) if the client owned investment fund securities during the period covered by the report,
  - (i) the following notification or a notification that is substantially similar, in relation to the total amount of fund expenses reported:

*“Fund expenses are made up of the management fee (which includes trailing commissions paid to us), operating expenses and trading costs. You don’t pay these expenses directly. They are periodically deducted from the value of your investments by the companies that manage and operate those funds. Different funds have different fund expenses. They affect you because they reduce the fund’s returns. These expenses add up over time. Fund expenses*

are expressed as an annual percentage of the total value of the fund. They correspond to the sum of the fund's management expense ratio (MER) and trading expense ratio (TER). These costs are already reflected in the current values reported for your fund investments.

The number shown here is the estimated total dollar amount you paid in fund expenses for all the investment funds you owned last year. This amount depends on each of your funds' fund expenses and the amount you invested in each fund.”, and

- (ii) the following notification or a notification that is substantially similar, in relation to the fund expense ratios required to be reported under paragraph (m):

“Please refer to the prospectus or fund facts document of each investment fund for more detailed information about fund expenses and fund performance.

Please refer to your latest account statement for more information about the market value and the number of securities of the investment funds you currently own.”;

- (o) the following notification or a notification that is substantially similar:

“What can you do with this information? Take action by contacting your advisor to discuss the fees you pay, the impact those fees have on the long-term performance of your portfolio and the value you receive in return. If you are a self-directed investor, consider how fees impact the long-term performance of your portfolio, and possible ways to reduce those costs.”;

- (p) if the client owned investment fund securities during the period covered by the report and any deferred sales charges were paid by the client, the following notification or a notification that is substantially similar:

“You paid this cost because you redeemed your units or shares of a fund purchased under a deferred sales charge (DSC) option before the end of the redemption fee schedule and a redemption fee was payable to the investment fund company. Information about these and other fees can be found in the prospectus or fund facts document for each investment fund made available at the time of purchase. The redemption fee was deducted from the redemption amount you received.”;

- (q) if the client owned investment fund securities during the period covered by the report and direct investment fund charges, other than deferred sales charges, were charged to the client, a short explanation of the type of fees that were charged;

- (r) if information reported under paragraph (i), (j) or (m) is based on an approximation or any other assumption, a notification that this is the case;
- (s) if any structured product, labour sponsored investment fund or investment fund the securities of which are distributed solely under an exemption from the prospectus requirement was owned by the client during the period covered by the report, the following notification or a notification that is substantially similar:

*“Please note that other products you may own or may have owned during the reporting period, such as exempt-market investment funds, labour-sponsored investment funds or structured products, may have embedded fees that are not reported here. You can contact us for more information.”;*

- (t) if the securities of an investment fund were owned by the client during the period covered by the report, the manager of the investment fund is incorporated, continued or organized under the laws of a foreign jurisdiction, and the information reported for those securities under paragraphs (i), (j) or (m) is based on information disclosed under the laws of a foreign jurisdiction, the following notification or a notification that is substantially similar:

*“This report includes information about the fund expenses and fund expense ratio of foreign investment funds. Please note that this information may not be directly comparable to equivalent information for Canadian investment funds, that may include different types of fees.”;*

- (u) if the registered firm knows or has reason to believe that the client paid, to third parties, custodial fees, intermediary fees or interest charges related to securities owned by the client during the period covered by the report and those fees or charges are not required to be reported to the client by a registrant under this section, the following notification or a notification that is substantially similar:

*“The costs in this report may not include any fees you pay directly to third parties, including custodial fees, intermediary fees or interest charges that may be deducted from your account. You can contact those service providers for more information.”.*

- (2) For the purposes of this section, the information in respect of securities of a client required to be reported under subsection 14.14(5) must be delivered in a separate report on charges and other compensation for each of the client’s accounts.
- (3) For the purposes of this section, the information in respect of securities of a client required to be reported under subsection 14.14.1(1) must be delivered in a report on charges and other compensation for the client’s account through which the securities were transacted.
- (4) Subsections (2) and (3) do not apply if the registered firm provides 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 and any securities of the client required to be reported under subsection 14.14(5) or 14.14.1(1) and if the following apply

- (a) the client has consented in writing to the form of disclosure referred to in this subsection;
  - (b) the consolidated report specifies the accounts and securities with respect to which information is required to be reported under subsection 14.14.1(1).
- (5) This section does not apply to a registered firm in respect of a permitted client that is not an individual.
- (6) The total amount of fund expenses referred to in paragraph (1)(i) must be determined by adding together the daily fund expenses for each class or series of securities of each investment fund owned by the client for each day that the client owned it during the reporting period, using the following formula to calculate the daily fund expenses:

A x B = C, where

A = the fund expenses per security for the day of the applicable class or series of securities of an investment fund calculated in dollars using the formula in subsection 14.1.2(1);

B = the number of securities owned by the client for that day;

C = the daily fund expenses in dollars for a class or series of securities of an investment fund.

- (7) Despite paragraphs (1)(i), (m), and (r), a registered firm may exclude the information required to be reported for an investment fund under those paragraphs if the fund is a newly-established investment fund and the following notification or a notification that is substantially similar is included:

*"The total amount of fund expenses reported may not include cost information for newly-established investment funds."*

- (8) Despite paragraphs (1)(i), (j) and (m), if a reasonable approximation was provided by an investment fund manager under subsection 14.1.2 (2), or if the registered firm obtained or determined a reasonable approximation under paragraph 14.17.1(2)(a), the firm may report a reasonable approximation of the information required to be reported under paragraphs (1) (i), (j) and (m).
- (9) For the purposes of paragraphs (1)(i), (j), (m), (n), (p), (q), (r) and (u), subsection (6) and (7), section 14.1.2(3) and section 14.17.1, an investment fund does not include:
- (a) a labour sponsored investment fund, or

- (b) an investment fund whose securities are distributed solely under an exemption from the prospectus requirement.

#### **14.17.1 Reporting of fund expenses and direct investment fund charges**

- (1) Subject to subsection (2), for the purposes of paragraphs 14.17(1)(i), (j), (m), (p), (q), (r) and (t), the information required to be delivered to clients by a registered dealer or registered adviser must be based on the information provided under section 14.1.1.
- (2) If no information is provided under section 14.1.1, or the registered firm reasonably believes that any part of the information provided pursuant to section 14.1.1 is incomplete or that relying on it would cause information required to be delivered to a client to be misleading, that firm must
  - (a) make reasonable efforts to obtain or determine the information referred to in subsection (1), or obtain or determine a reasonable approximation of that information, by other means, and
  - (b) subject to subsection (3), rely on the information obtained or determined under paragraph (a).
- (3) If the registered firm reasonably believes it cannot obtain or determine information under paragraph (2)(a) that is not misleading, that firm must exclude the information from the calculation of the amount of fund expenses or direct investment fund charges reported to the client, as the case may be, or, in the case of a fund expense ratio, must not report the fund expense ratio, and must disclose that the information is excluded or not reported, as the case may be, in the relevant statement or report.



## ANNEX E

### BLACKLINE SHOWING CHANGES TO COMPANION POLICY 31-103 CP NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS

#### *Division 1 Investment fund managers*

Section 14.1 sets out the limited application of Part 14 to investment fund managers. The sections of Part 14 that apply to investment fund managers when performing their investment fund manager activities include section 14.1.1, section 14.1.2, section 14.5.2, section 14.5.3, section 14.6, section 14.6.1, section 14.6.2, subsection 14.12(5) and section 14.15. An investment fund manager that is also registered as a dealer or adviser (or both) is subject to all relevant sections of Part 14 in respect of that firm's dealer or adviser activities.

#### **1.4.1.1 Duty to provide information – investment fund managers**

Section 14.1.1 requires investment fund managers to provide certain information that is known to them concerning to dealers and advisers who have clients that own funds managed by them. This information may concern position cost, investment fund fees and expenses, deferred sales charges and any other charges deducted from the net asset value of the securities, and trailing commissions to dealers and advisers who have clients that own the investment fund manager's funds. This information It must be provided within a reasonable period of time, in order that the dealers and advisers may comply with their client reporting obligations. This is a principles-based requirement. ~~An investment fund manager~~ Investment fund managers must work with the dealers and advisers who distribute ~~fund products~~ their funds to determine what information they need from ~~the investment fund manager~~ them and how it will be delivered in order to satisfy ~~their~~ the dealers' and advisers' client reporting obligations. ~~The information and arrangements for its delivery may vary, reflecting different operating models and information systems. We strongly encourage the use of common industry standards and arrangements for the delivery of information wherever possible.~~

#### **14.1.2 Determination of the fund expenses per security**

Subsection 14.1.2(1) sets out how investment fund managers must determine fund expenses per security per day for purposes of the fund expense information that dealers and advisers must provide to their clients, subject to the provision for the use of approximations under subsection 14.1.2(2).

The formula prescribed in this subsection requires investment fund managers to make any adjustments which are reasonably necessary to accurately determine the amount of fund expenses per security for the day.

When determining the market value of an investment fund under subsection 14.1.2(1), registered firms should refer to section 14.11.1 [*Determining market value*]. Reasonably necessary adjustments to accurately determine this amount could include using the market value of a

security before deducting the fund expenses for the day, if this would result in a more accurate determination.

When determining the fund expense ratio for the day of the applicable class or series of an investment fund under subsection 14.1.2(1), registered firms must refer to the definition of this term in section 1.1 and to the calculation methods for the management expense ratio and the trading expense ratio prescribed by NI 81-106, making any adjustments reasonably necessary to accurately determine this amount. This would include adjusting the calculation method in NI 81-106 from a financial year or interim period basis to a daily basis. Registrants should refer to the relevant sections of NI 81-106, as well as to any applicable guidance. We expect that the fund expense ratio for the day will reflect the actual expenses charged or accrued to each security of the applicable class or series of the investment fund for that day.

### **Exact information**

We encourage investment fund managers to provide exact information wherever they are able to do so without unreasonable cost or delay.

### **Use of approximations**

Subsection 14.1.2(2) allows for the use of approximations where they would not result in misleading information being reported by registered dealers or advisers to their clients. This recognizes that there can be circumstances in which it would not be possible to arrive at exact information at a reasonable cost and without unreasonable delay, and that in some cases, there may not be material differences between exact information and a reasonable approximation.

Investment fund managers must exercise their professional judgment in determining what approximations are reasonable. We would generally expect it to be reasonable for an investment fund manager to rely on information in an investment fund's most recently published fund facts document or management report of fund performance for these purposes. Exceptions would include, for example, cases where there had been a significant change in the information since its publication or if it was published more than twelve months ago.

Paragraph 14.1.2(2)(a) allows investment fund managers to use a reasonable approximation of the fund expense ratio or market value factors used in the formula in subsection 14.1.2(1). For example, investment fund managers may approximate the fund expense ratio for the day of a class or series of an investment fund by dividing the annual fund expense ratio of the investment fund as disclosed in the investment fund's latest management report of fund performance by the number of days in the year, when doing so would result in a reasonable approximation of the fund expense ratio for the day.

Paragraph 14.1.2(2)(b) allows investment fund managers to provide a reasonable approximation of the fund expenses, direct investment fund charges or fund expense ratio of a class or series of an investment fund. We would expect this provision to be used where exact information cannot be provided by the investment fund manager at a reasonable cost.

An example of an unreasonable approximation would be one that systematically and materially underestimates the amount of fees or expenses required to be reported to clients.

### **Notification regarding use of approximations**

When using or providing a reasonable approximation under paragraphs 14.1.2(2)(a) or 14.1.2(2)(b), investment fund managers must communicate to the registered firm that an assumption or approximation was used so that the registered firm can comply with its obligation under paragraph 14.17(1)(r).

### **Newly-established investment funds**

As specified by section 14.1.2(3), investment fund managers are not required to provide information concerning the fund expenses and fund expense ratio of newly-established investment funds.

However, we encourage investment fund managers of newly-established funds to provide such information about those funds, if available to them. Where exact information is not available, we encourage them to provide a reasonable approximation based on the fund's management fee disclosed in its prospectus or Fund Facts, taking into account the anticipated operating expenses and trading costs of the fund.

(...)

### **14.17 Report on charges and other compensation**

Registered Firms Each registered firm must provide its clients with an annual report on the firm's charges and other compensation received by the firm in connection with their a client's investments, as well as information about the ongoing costs related to investment funds owned by the client.

Examples of operating charges and transaction charges are provided in the discussion of the disclosure of charges and other compensation in section 14.2 of this Companion Policy. The annual report must include information about all of the firm's current operating charges that might be applicable to a client's account. A firm is only required to include the charges for those of its services that it would reasonably expect the particular client to utilize in the coming 12 months.

The report must include information about the ongoing costs related to investment funds owned by the client at any time during the period covered by the report.

### **Debt securities**

The discussion of debt security disclosure requirements in section 14.12 of this Companion Policy is also relevant with respect to paragraph 14.17(1)(e).

### **Scholarship plan-specific fees**

Scholarship plans often have enrolment fees payable in instalments in the first few years of a client's investment in the plan. Paragraph 14.17(1)(f) requires that scholarship plan dealers include a reminder of the unpaid amount of any such fees in their annual reports on charges and other compensation.

### **Payments from third parties**

Payments that a registered firm or its registered representatives receive from issuers of securities or other registrants in relation to registerable services to a client must be reported under paragraph 14.17(1)(g). This disclosure requirement includes any form of payment to the firm or a representative of the firm linked to sales or other registerable services to the client receiving the report. Examples of payments that would be included in this part of the report on charges and other compensation include some referral fees, success fees on the completion of a transaction, or finder's fees. This part of the report does not include trailing commissions, as they are specifically addressed in paragraph 14.17(1)(h).

### **Trailing commissions**

Registered firms must disclose the amount of trailing commissions they received related to a client's holdings. The disclosure of trailing commissions received in respect of a client's investments must be included with a notification prescribed in paragraph 14.17(1)(h). The notification must be in substantially the form prescribed, so a registered firm may modify it to be consistent with the actual arrangements. For example, a firm that receives a payment that falls within the definition of "trailing commission" in section 1.1 in respect of securities that are not investment funds can modify the notification accordingly. The notification set out is the required minimum and firms can provide further explanation if they believe it will be helpful to their clients.

### **Fund expenses**

The total amount of fund expenses required to be reported under paragraph 14.17(1)(i) must be determined using the formula specified in section 14.17(6).

The total amount of fund expenses required to be reported under paragraph 14.17(1)(i) must include all amounts required to be aggregated in the fund expense ratio of each investment fund class or series of securities owned by the client during the period covered by the report, after making any necessary adjustments to add performance fees and deduct fee waivers, rebates or absorptions that apply to the securities owned by the client.

If a dealer or adviser provides a client with fee waivers, rebates or absorptions, they must be included in the corresponding charges required to be reported under paragraphs 14.17(1)(a) to (f), but must not be included in the information reported under paragraph 14.17(1)(i).

In addition to providing the total fund expenses as required under paragraph 14.17(1)(i), registered firms may choose to include a separate line item showing the amount of any performance fees, fee waivers, rebates or absorptions which were added or deducted from the total fund expenses. If doing so, the total amounts required to be reported according to paragraphs 14.17(1)(k) and (l) must nonetheless reflect all of the information prescribed under paragraph 14.17(1)(i).

### **Fund expense ratio**

In addition to providing the fund expense ratio for each class or series of securities of each investment fund owned by the client during the period covered by the report, as required under paragraph 14.17(1)(m), registered firms may choose to include a separate line item showing the amount, as a percentage, of any performance fees, fee waivers, rebates or absorptions which are included in the fund expense ratio reported.

### **Direct investment fund charges**

Direct investment fund charges are defined in section 1.1 as an amount charged to a client if the client buys, holds, sells or switches units or shares of an investment fund, including any federal, provincial or territorial sales taxes paid on that amount, other than, for greater certainty, an amount included in the investment fund's fund expenses. The amount of direct investment fund charges reported under paragraph 14.17(1)(j) must exclude amounts required to be reported under paragraphs 14.17(1)(c), (f) or (i), in order to avoid double counting. Examples of direct charges reported under 14.17(1)(j) include switch fees, redemption fees and short-term trading fees.

### **Reporting information when approximations are used**

Registered firms should consider the cumulative effect of multiple approximations in assessing their reasonableness and whether their combined use may cause misleading information to be reported to clients, notwithstanding that any one such approximation may be reasonable in itself.

### **Organization of the annual report on charges and other compensation**

~~Registered firms may want~~ We encourage registered firms to organize the annual report on charges and other compensation with separate sections showing the charges paid by the client to the firm, and the other compensation received by the firm in respect of the client's account, and investment fund company fees, as well as the overall total charges to the client.

### **Sample report**

Appendix D of this Companion Policy includes a sample Report on Charges and Other Compensation, which registered firms are encouraged to use as guidance.

### **14.17.1 Reporting of fund expenses and direct investment fund charges**

#### **Reliance on information provided by investment fund managers**

Dealers and advisers are required to rely on information provided by registered investment fund managers pursuant to section 14.1.1, outside of the exceptional circumstances contemplated under subsections 14.17.1(2) or (3). We expect dealers and advisers to exercise their professional judgment in determining when there are such exceptional circumstances. We do not expect dealers and advisers to routinely undertake a due diligence review of the information provided to them by investment fund managers, outside of those exceptional circumstances.

Examples of the exceptional circumstances contemplated in subsection 14.17(2) and (3) include the following cases:

- an investment fund manager does not comply with section 14.1.1 for any reason,
- there is no registered investment fund manager,
- relevant information is not required to be provided for a fund (for example, as in the case of certain non-Canadian investment funds), or
- the registered firm has information that causes the firm to reasonably believe that the information delivered to clients would be misleading.

#### **Information from other sources**

We expect registered firms to use their professional judgement in determining what other means of obtaining or determining necessary information would be appropriate. Examples of the reasonable efforts we would expect a registered firm to make under section 14.17.1(2)(a) to obtain or determine the information required by the firm for the purposes of complying with paragraphs 14.17(1)(i), (j), (m), (p) may include, taking into account considerations of cost and materiality:

- relying on information in the investment fund's disclosure documents, including those prepared according to the reporting requirements applicable in a foreign jurisdiction,
- requesting that the information be provided in writing by the investment fund or investment fund manager, or
- relying on information reported by a reliable third-party service provider.

#### **Use of approximations**

We expect registered firms to rely on their professional judgement when obtaining or determining a reasonable approximation under paragraph 14.17.1(2)(a). An example of when the use of a reasonable approximation may be appropriate is where information was obtained or determined based on information from other sources, as discussed immediately above.

## **Foreign investment funds**

In the case of information required to be reported under paragraphs 14.17(1)(i), (j) or (m) for a foreign investment fund, we believe it would generally be acceptable for registrants to report a reasonable approximation based on similar information which is required to be reported in the foreign fund's jurisdiction, if more accurate information cannot be obtained by other means using reasonable efforts. For example, we believe that the following could generally be considered a reasonable approximation of a foreign fund's fund expense ratio:

- for a US mutual fund, its total expense ratio;
- for a fund to which the Undertakings for the Collective Investment in Transferable Securities (UCITS) framework applies, its ongoing charges.

Paragraph 14.17(1)(t) requires client reports to include a notification that information reported regarding such funds may not be directly comparable to equivalent information for Canadian investment funds, which may include different types of fees.

## **Fund expenses calculation**

Registered dealers and advisers must use the formula in section 14.1.2 if section 14.17.1(2) applies, including where an investment fund manager has not provided the necessary information to them.

(...)

## APPENDIX D

### SAMPLE ANNUAL COST AND COMPENSATION REPORT

Dealer ABC Inc.

Your Account Number: 123-4567

## Your Cost of Investing and Our Compensation

This report shows for 2023

- your cost of investing, including what you paid to us and to investment fund companies
- our compensation

## Your Cost of Investing

Costs reduce your profits and increase your losses

**Your total cost of investing was \$815 last year**

### What you paid

**Our charges:** Amounts that you paid to us by withdrawals from your account or by other means such as cheques or transfers from your bank.

Account administration and operating fees – you pay these fees to us each year	\$100.00
Trading fees – you pay these fees to us when you buy or sell some investments	\$20.00
<b>Total you paid to us</b>	<b>\$120.00</b>

**Investment fund company fees:** Amounts you paid to investment fund companies that operate the investment funds (e.g., mutual funds) in your account, and in investment fund related fees.

<b>Fund Expenses<sup>1</sup></b> - See the fund expenses % shown in the table below	\$645.00
Redemption fees on deferred sales charge (DSC) investments <sup>2</sup>	\$50.00
<b>Total you paid to investment fund companies</b>	<b>\$695.00</b>
<b>Your total cost of investing<sup>3</sup></b>	<b>\$815.00</b>



## Our Compensation

### What we received

Total you paid us, as indicated above	\$120.00
Trailing commissions <sup>4</sup> paid to us by investment fund companies, included in the fund expenses above	\$342.00
<b><i>Total we received for advice and services we provided to you</i></b>	<b><i>\$462.00</i></b>

1. **Fund expenses:** Fund expenses are made up of the management fee (which includes trailing commissions paid to us), operating expenses and trading costs. You don't pay these expenses directly. They are periodically deducted from the value of your investments by the companies that manage and operate those funds. Different funds have different fund expenses. They affect you because they reduce the fund's returns. These expenses add up over time. Fund expenses are expressed as an annual percentage of the total value of the fund. They correspond to the sum of the fund's management expense ratio (MER) and trading expense ratio (TER). These costs are already reflected in the current values reported for your fund investments.

The number shown in the table above is the estimated total dollar amount you paid in fund expenses for all the investment funds you owned last year. This amount depends on each of your funds' fund expenses and the amount you invested in each fund.

The total fund expenses reported may not include cost information for newly-established investment funds.

Please refer to the table below for additional details about the fund expenses for each fund you own.

2. **Redemption fees on DSC investments:** You paid this cost because you redeemed your units or shares of a fund purchased under a deferred sales charge (DSC) option before the end of the redemption fee schedule and a redemption fee was payable to the investment fund company. Information about these and other fees can be found in the prospectus or fund facts document for each investment fund made available at the time of purchase. The redemption fee was deducted from the redemption amount you received.
3. **Third-party costs:** The costs in this report do not include any fees you pay directly to third parties, including custodial fees, intermediary fees or interest charges that may be deducted from your account. You can contact those service providers for more information.
4. **Trailing commissions:** Investment funds pay investment fund companies a fee for managing their funds. Investment fund companies pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission for each fund depends on the sales charge option you chose when you purchased the fund. You are not directly charged for trailing commissions. They are paid to us by investment fund companies.

***Information about fund expenses, MERs, trading expenses and other investment fund company charges, as well as trailing commissions, is also included in the prospectus or fund facts document for each fund you own.***

### ***What can you do with this information?***

Take action by contacting your advisor to discuss the fees you pay, the impact they have on the long-term performance of your portfolio and the value you receive in return.

If you are a self-directed investor, consider how fees impact the long-term performance of your portfolio, and possible ways to reduce those costs.

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## **Fund Expense Ratio for Investment Funds You Owned During the Year<sup>1</sup>**

**On December 31, 2023**

**Portfolio Assets**

<b><u>Description</u></b>	<b>Fund Expense Ratio<sup>2</sup></b>
<b><u>Canadian Investment Funds</u></b>	
ABC Management Monthly Income Fund, Series A FE	1.00%
ABC Management Canadian Equity, Series A FE	2.00%
ABC Management Global Equity, Series A	N/A <sup>3</sup>
<b><u>Foreign Investment Funds</u></b>	
XYZ Management S&P 500 ETF (U.S. fund)	0.03% <sup>4</sup>
<b>Weighted Average</b>	<b>1.64%</b>

1. This table presents information about the fund expenses of the investment funds you owned during the year, including exchange traded funds, expressed as a yearly ratio. Please refer to note 1 – *Fund Expenses* above for more information about fund expenses.

Please note that other products you may own or may have owned during the reporting period, such as exempt-market investment funds, labour-sponsored investment funds or structured products may have embedded fees that are not reported here. You can contact us for more information.

This report includes information about the fund expenses and fund expense ratio of foreign investment funds. Please note that this information may not be directly comparable to equivalent information for Canadian investment funds, that may include different types of fees.

2. Please refer to the prospectus or fund facts document of each investment fund for more detailed information about fund expenses and fund performance. Please refer to your latest account statement for more information about the market value and the number of securities of the investment funds you currently own.

3. The fund expense ratio of this fund is not available, as it is a newly-established investment fund.
4. This is the fund's expense ratio, calculated according to applicable U.S. securities regulations. Please note that this information may not be directly comparable to equivalent information for Canadian investment funds, which may include different types of fees.

## ANNEX F

### **CHANGES TO COMPANION POLICY 31-103 REGISTRATION REQUIREMENTS, EXEMPTIONS AND ONGOING REGISTRANT OBLIGATIONS**

1. *Companion Policy 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations is changed by this Instrument.*
2. *Part 14, Division 1, Investment fund managers is amended by :*

- (a) *Inserting the following immediately after “section 14.1.1,” in the second sentence of the first paragraph:*

“section 14.1.2,”.

- (b) *Replacing the second paragraph with the following:*

**“14.1.1       Duty to provide information – investment fund managers**

Section 14.1.1 requires investment fund managers to provide certain information to dealers and advisers who have clients that own funds managed by them. This information may concern position cost, investment fund fees and expenses, deferred sales charges and any other charges deducted from the net asset value of the securities, and trailing commissions. It must be provided within a reasonable period of time, in order that the dealers and advisers may comply with their client reporting obligations. This is a principles-based requirement. Investment fund managers must work with the dealers and advisers who distribute their funds to determine what information they need from them and how it will be delivered in order to satisfy the dealers’ and advisers’ client reporting obligations. We strongly encourage the use of common industry standards and arrangements for the delivery of information wherever possible.”.

- (c) *Adding the following after the second paragraph:*

**“14.1.2       Determination of the fund expenses per security**

Subsection 14.1.2(1) sets out how investment fund managers must determine fund expenses per security per day for purposes of the fund expense information that dealers and advisers must provide to their clients, subject to the provision for the use of approximations under subsection 14.1.2(2).

The formula prescribed in this subsection requires investment fund managers to make any adjustments which are reasonably necessary to accurately determine the amount of fund expenses per security for the day.

When determining the market value of an investment fund under subsection 14.1.2(1), registered firms should refer to section 14.11.1 [*Determining market value*]. Reasonably necessary adjustments to accurately determine this amount could include using the market value of a security before deducting the fund expenses for the day, if this would result in a more accurate determination.

When determining the fund expense ratio for the day of the applicable class or series of an investment fund under subsection 14.1.2(1), registered firms must refer to the definition of this term in section 1.1 and to the calculation methods for the management expense ratio and the trading expense ratio prescribed by NI 81-106, making any adjustments reasonably necessary to accurately determine this amount. This would include adjusting the calculation method in NI 81-106 from a financial year or interim period basis to a daily basis. Registrants should refer to the relevant sections of NI 81-106, as well as to any applicable guidance. We expect that the fund expense ratio for the day will reflect the actual expenses charged or accrued to each security of the applicable class or series of the investment fund for that day.

### **Exact information**

We encourage investment fund managers to provide exact information wherever they are able to do so without unreasonable cost or delay.

### **Use of approximations**

Subsection 14.1.2(2) allows for the use of approximations where they would not result in misleading information being reported by registered dealers or advisers to their clients. This recognizes that there can be circumstances in which it would not be possible to arrive at exact information at a reasonable cost and without unreasonable delay, and that in some cases, there may not be material differences between exact information and a reasonable approximation.

Investment fund managers must exercise their professional judgment in determining what approximations are reasonable. We would generally expect it to be reasonable for an investment fund manager to rely on information in an investment fund's most recently published fund facts document or management report of fund performance for these purposes.

Exceptions would include, for example, cases where there had been a significant change in the information since its publication or if it was published more than twelve months ago.

Paragraph 14.1.2(2)(a) allows investment fund managers to use a reasonable approximation of the fund expense ratio or market value factors used in the formula in subsection 14.1.2(1). For example, investment fund managers may approximate the fund expense ratio for the day of a class or series of an investment fund by dividing the annual fund expense ratio of the investment fund as disclosed in the investment fund's latest management report of fund performance by the number of days in the year, when doing so would result in a reasonable approximation of the fund expense ratio for the day.

Paragraph 14.1.2(2)(b) allows investment fund managers to provide a reasonable approximation of the fund expenses, direct investment fund charges or fund expense ratio of a class or series of an investment fund. We would expect this provision to be used where exact information cannot be provided by the investment fund manager at a reasonable cost.

An example of an unreasonable approximation would be one that systematically and materially underestimates the amount of fees or expenses required to be reported to clients.

### **Notification regarding use of approximations**

When using or providing a reasonable approximation under paragraphs 14.1.2(2)(a) or 14.1.2(2)(b), investment fund managers must communicate to the registered firm that an assumption or approximation was used so that the registered firm can comply with its obligation under paragraph 14.17(1)(r).

### **Newly-established investment funds**

As specified by section 14.1.2(3), investment fund managers are not required to provide information concerning the fund expenses and fund expense ratio of newly-established investment funds.

However, we encourage investment fund managers of newly-established funds to provide such information about those funds, if available to them.

Where exact information is not available, we encourage them to provide a reasonable approximation based on the fund's management fee disclosed in its prospectus or Fund Facts, taking into account the anticipated operating expenses and trading costs of the fund.”

3. ***Section 14.17 Report on charges and other compensation is changed by:***

- (a) ***Replacing “Registered firms” in the first sentence, with “Each registered firm”,***
- (b) ***Adding “its” before “clients” in the first sentence,***
- (c) ***Replacing “their” with “a client’s” in the first sentence,***
- (d) ***Adding the following at the end of the first sentence:***

“, as well as information about the ongoing costs related to investment funds owned by the client.”,

- (e) ***Adding a paragraph break after the end of the first sentence,***
- (f) ***Adding the following new paragraph after the first paragraph:***

“The report must include information about the ongoing costs related to investment funds owned by the client at any time during the period covered by the report.”,

- (g) ***Adding the following heading before the second paragraph: “Debt securities”,***
- (h) ***Adding the following heading before the third paragraph: “Scholarship plan-specific fees”,***
- (i) ***Adding the following heading before the fourth paragraph: “Payments from third parties”,***
- (j) ***Adding the following heading before the fifth paragraph: “Trailing commissions”,***
- (k) ***Adding the following after the fifth paragraph:***

**“Fund expenses**

The total amount of fund expenses required to be reported under paragraph 14.17(1)(i) must be determined using the formula specified in section 14.17(6).

The total amount of fund expenses required to be reported under paragraph 14.17(1)(i) must include all amounts required to be aggregated in the fund expense ratio of each investment fund class or series of securities owned by the client during the period covered by the report, after making any necessary adjustments to add performance fees and deduct fee waivers, rebates or absorptions that apply to the securities owned by the client.

If a dealer or adviser provides a client with fee waivers, rebates or absorptions, they must be included in the corresponding charges required to be reported under paragraphs 14.17(1)(a) to (f), but must not be included in the information reported under paragraph 14.17(1)(i).

In addition to providing the total fund expenses as required under paragraph 14.17(1)(i), registered firms may choose to include a separate line item showing the amount of any performance fees, fee waivers, rebates or absorptions which were added or deducted from the total fund expenses. If doing so, the total amounts required to be reported according to paragraphs 14.17(1)(k) and (l) must nonetheless reflect all of the information prescribed under paragraph 14.17(1)(i).

### **Fund expense ratio**

In addition to providing the fund expense ratio for each class or series of securities of each investment fund owned by the client during the period covered by the report, as required under paragraph 14.17(1)(m), registered firms may choose to include a separate line item showing the amount, as a percentage, of any performance fees, fee waivers, rebates or absorptions which are included in the fund expense ratio reported.

### **Direct investment fund charges**

Direct investment fund charges are defined in section 1.1 as an amount charged to a client if the client buys, holds, sells or switches units or shares of an investment fund, including any federal, provincial or territorial sales taxes paid on that amount, other than, for greater certainty, an amount included in the investment fund's fund expenses. The amount of direct investment fund charges reported under paragraph 14.17(1)(j) must exclude amounts required to be reported under paragraphs 14.17(1)(c), (f) or (i), in order to avoid double counting. Examples of direct charges reported under 14.17(1)(j) include switch fees, redemption fees and short-term trading fees.

### **Reporting information when approximations are used**

Registered firms should consider the cumulative effect of multiple approximations in assessing their reasonableness and whether their combined use may cause misleading information to be reported to clients, notwithstanding that any one such approximation may be reasonable in itself.”

- (l)** *Adding the following heading before the sixth paragraph:*  
**“Organization of the annual report on charges and other compensation”,**
- (m)** *Replacing “Registered firms may want” with “We encourage registered firms” in the sixth paragraph,*
- (n)** *Removing “and the” immediately after “paid by the client to the firm,” in the sixth paragraph,*



- (o) *Adding the following at the end of the sixth paragraph: “, and investment fund company fees, as well as the overall total charges to the client.”,*
  - (p) *Adding the following heading before the seventh paragraph: “Sample report”.*
4. *Part 14 is changed by adding section 14.17.1 Reporting of fund expenses and direct investment fund charges after section 14.17:*

**“14.17.1 Reporting of fund expenses and direct investment fund charges**

**Reliance on information provided by investment fund managers**

Dealers and advisers are required to rely on information provided by registered investment fund managers pursuant to section 14.1.1, outside of the exceptional circumstances contemplated under subsections 14.17.1(2) or (3). We expect dealers and advisers to exercise their professional judgment in determining when there are such exceptional circumstances. We do not expect dealers and advisers to routinely undertake a due diligence review of the information provided to them by investment fund managers, outside of those exceptional circumstances.

Examples of the exceptional circumstances contemplated in subsection 14.17(2) and (3) include the following cases:

- an investment fund manager does not comply with section 14.1.1 for any reason,
- there is no registered investment fund manager,
- relevant information is not required to be provided for a fund (for example, as in the case of certain non-Canadian investment funds), or
- the registered firm has information that causes the firm to reasonably believe that the information delivered to clients would be misleading.

**Information from other sources**

We expect registered firms to use their professional judgement in determining what other means of obtaining or determining necessary information would be appropriate. Examples of the reasonable efforts we would expect a registered firm to make under section 14.17.1(2)(a) to obtain or determine the information required by the firm for the purposes of complying with paragraphs 14.17(1)(i), (j), (m), (p) may include, taking into account considerations of cost and materiality:

- relying on information in the investment fund’s disclosure documents, including those prepared according to the reporting requirements applicable in a foreign jurisdiction,
- requesting that the information be provided in writing by the investment fund or investment fund manager, or
- relying on information reported by a reliable third-party service provider.

### **Use of approximations**

We expect registered firms to rely on their professional judgement when obtaining or determining a reasonable approximation under paragraph 14.17.1(2)(a). An example of when the use of a reasonable approximation may be appropriate is where information was obtained or determined based on information from other sources, as discussed immediately above.

### **Foreign investment funds**

In the case of information required to be reported under paragraphs 14.17(1)(i), (j) or (m) for a foreign investment fund, we believe it would generally be acceptable for registrants to report a reasonable approximation based on similar information which is required to be reported in the foreign fund’s jurisdiction, if more accurate information cannot be obtained by other means using reasonable efforts. For example, we believe that the following could generally be considered a reasonable approximation of a foreign fund’s fund expense ratio:

- for a US mutual fund, its total expense ratio;
- for a fund to which the Undertakings for the Collective Investment in Transferable Securities (UCITS) framework applies, its ongoing charges.

Paragraph 14.17(1)(t) requires client reports to include a notification that information reported regarding such funds may not be directly comparable to equivalent information for Canadian investment funds, which may include different types of fees.

### **Fund expenses calculation**

Registered dealers and advisers must use the formula in section 14.1.2 if section 14.17.1(2) applies, including where an investment fund manager has not provided the necessary information to them.”.

5. *Appendix D - Annual Charges and Compensation Report is replaced with the following:*

## APPENDIX D

### SAMPLE ANNUAL COST AND COMPENSATION REPORT

Dealer ABC Inc.

Your Account Number: 123-4567

### Your Cost of Investing and Our Compensation

This report shows for 2023

- your cost of investing, including what you paid to us and to investment fund companies
- our compensation

### Your Cost of Investing

Costs reduce your profits and increase your losses

**Your total cost of investing was \$815 last year**

#### What you paid

**Our charges:** Amounts that you paid to us by withdrawals from your account or by other means such as cheques or transfers from your bank.

Account administration and operating fees – you pay these fees to us each year	\$100.00
Trading fees – you pay these fees to us when you buy or sell some investments	\$20.00
<b>Total you paid to us</b>	<b>\$120.00</b>
<b>Investment fund company fees:</b> Amounts you paid to investment fund companies that operate the investment funds (e.g., mutual funds) in your account, and in investment fund related fees.	
<b>Fund Expenses<sup>1</sup></b> - See the fund expenses % shown in the table below	\$645.00
Redemption fees on deferred sales charge (DSC) investments <sup>2</sup>	\$50.00
<b>Total you paid to investment fund companies</b>	<b>\$695.00</b>
<b>Your total cost of investing<sup>3</sup></b>	<b>\$815.00</b>

## Our Compensation

### What we received

Total you paid us, as indicated above	\$120.00
Trailing commissions <sup>4</sup> paid to us by investment fund companies, included in the fund expenses above	\$342.00
<b><i>Total we received for advice and services we provided to you</i></b>	<b><i>\$462.00</i></b>

1. **Fund expenses:** Fund expenses are made up of the management fee (which includes trailing commissions paid to us), operating expenses and trading costs. You don't pay these expenses directly. They are periodically deducted from the value of your investments by the companies that manage and operate those funds. Different funds have different fund expenses. They affect you because they reduce the fund's returns. These expenses add up over time. Fund expenses are expressed as an annual percentage of the total value of the fund. They correspond to the sum of the fund's management expense ratio (MER) and trading expense ratio (TER). These costs are already reflected in the current values reported for your fund investments.

The number shown in the table above is the estimated total dollar amount you paid in fund expenses for all the investment funds you owned last year. This amount depends on each of your funds' fund expenses and the amount you invested in each fund.

The total fund expenses reported may not include cost information for newly-established investment funds.

Please refer to the table below for additional details about the fund expenses for each fund you own.

2. **Redemption fees on DSC investments:** You paid this cost because you redeemed your units or shares of a fund purchased under a deferred sales charge (DSC) option before the end of the redemption fee schedule and a redemption fee was payable to the investment fund company. Information about these and other fees can be found in the prospectus or fund facts document for each investment fund made available at the time of purchase. The redemption fee was deducted from the redemption amount you received.
3. **Third-party costs:** The costs in this report do not include any fees you pay directly to third parties, including custodial fees, intermediary fees or interest charges that may be deducted from your account. You can contact those service providers for more information.
4. **Trailing commissions:** Investment funds pay investment fund companies a fee for managing their funds. Investment fund companies pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission for each fund depends on the sales charge option you chose when you purchased the fund. You are not directly charged for trailing commissions. They are paid to us by investment fund companies.

***Information about fund expenses, MERs, trading expenses and other investment fund company charges, as well as trailing commissions, is also included in the prospectus or fund facts document for each fund you own.***

***What can you do with this information?***

Take action by contacting your advisor to discuss the fees you pay, the impact they have on the long-term performance of your portfolio and the value you receive in return.

If you are a self-directed investor, consider how fees impact the long-term performance of your portfolio, and possible ways to reduce those costs.

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# Fund Expense Ratio for Investment Funds You Owned During the Year<sup>1</sup>

On December 31, 2023

## Portfolio Assets

<u>Description</u>	<u>Fund Expense Ratio<sup>2</sup></u>
<b><u>Canadian Investment Funds</u></b>	
ABC Management Monthly Income Fund, Series A FE	1.00%
ABC Management Canadian Equity, Series A FE	2.00%
ABC Management Global Equity, Series A	N/A <sup>3</sup>
<b><u>Foreign Investment Funds</u></b>	
XYZ Management S&P 500 ETF (U.S. fund)	0.03% <sup>4</sup>
<b>Weighted Average</b>	<b>1.64%</b>

1. This table presents information about the fund expenses of the investment funds you owned during the year, including exchange traded funds, expressed as a yearly ratio. Please refer to note 1 – *Fund Expenses* above for more information about fund expenses.

Please note that other products you may own or may have owned during the reporting period, such as exempt-market investment funds, labour-sponsored investment funds or structured products may have embedded fees that are not reported here. You can contact us for more information.

This report includes information about the fund expenses and fund expense ratio of foreign investment funds. Please note that this information may not be directly comparable to equivalent information for Canadian investment funds, that may include different types of fees.

2. Please refer to the prospectus or fund facts document of each investment fund for more detailed information about fund expenses and fund performance. Please refer to your latest account statement for more information about the market value and the number of securities of the investment funds you currently own.

3. The fund expense ratio of this fund is not available, as it is a newly-established investment fund.
4. This is the fund's expense ratio, calculated according to applicable U.S. securities regulations. Please note that this information may not be directly comparable to equivalent information for Canadian investment funds, which may include different types of fees.
6. This Instrument comes into force on January 1<sup>st</sup>, 2026.

## ANNEX G

### ADOPTION OF THE SECURITIES AMENDMENTS

The Amendments to NI 31-103 will be implemented as:

- a rule in each of Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Yukon,
- a regulation in Québec, and
- a commission regulation in Saskatchewan.

The Amendments to 31-103CP will be adopted as a policy in each of the CSA member jurisdictions.

In Ontario, the Amendments to NI 31-103, as well as other required materials, were delivered to the Minister of Finance on or about April 20, 2023. The Minister may approve or reject these Amendments or return them for further consideration. If the Minister approves the Amendments or does not take any further action, the Amendments will come into force on January 1<sup>st</sup>, 2026.

In Québec, the Amendments to NI 31-103 are adopted as a regulation made under section 331.1 of the *Securities Act* (Québec) and must be approved, with or without amendment, by the Minister of Finance. The regulations are expected to come into force on January 1<sup>st</sup>, 2026. They are also published in the Bulletin of the Autorité des marchés financiers.

In British Columbia, the implementation of the Amendments to NI 31-103 is subject to ministerial approval. If all necessary approvals are obtained, British Columbia expects these Amendments to come into force on January 1<sup>st</sup>, 2026.

In Saskatchewan, the implementation of the Amendments to NI 31-103 is subject to ministerial approval. If all necessary approvals are obtained, these Amendments will come into force on January 1<sup>st</sup>, 2026 or if after January 1<sup>st</sup>, 2026, on the day on which they are filed with the Registrar of Regulations.



## Individual Variable Insurance Contract Ongoing Disclosure Guidance

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## Part 1: Definitions

### 1.1 In this Guidance

“Accumulation Phase” means the time between the date the Owner begins making deposits to an IVIC that provides a guaranteed withdrawal benefit and the date the Owner notifies the Insurer the Owner wants to begin receiving such guaranteed payments under the IVIC.

“Advisory Service Fee” means any fee payable by an Owner to an Intermediary with respect to the IVIC, that is paid by the Insurer to the Intermediary on direction of the Owner from assets within the IVIC.

“Annuitant” means a person whose life triggers any guarantee on death or contract maturity or any payment for life under an IVIC.

“Benefits Phase” means the time between the date when the Withdrawal Phase ends for all or part of an IVIC that provides a guaranteed withdrawal benefit and the last date a guaranteed withdrawal benefit is payable.

“CLHIA G2” means the Canadian Life and Health Insurance Association’s Guideline G2 *Individual Variable Insurance Contracts Relating To Segregated Funds*.

“Fees and Charges” means any sales charges, distribution fees, management fees, administrative fees, account set-up or closing charges, surrender charges, transfer fees, insurance fees or any other fees, charges or expenses whether or not contingent or deferred which are or may be payable in connection with the acquisition, holding, transferring or withdrawal of units of a Segregated Fund credited to the IVIC.

“Fund Expense Ratio” or “FER” means the sum of a Segregated Fund’s Management Expense Ratio and Trading Expense Ratio, expressed as a percentage.

“Fund Expense Ratio For The Day” means the ratio, expressed as a percentage, of the amount of fund expenses of a class or series of Segregated Fund for the day to the fund’s net asset value for the day.

“Fund Expenses” means all the Segregated Fund’s expenses that are paid out of assets of the fund, including Management Expenses and Trading Expenses.

“Fund Facts” means a disclosure document in respect of a Segregated Fund under an IVIC; this document forms part of the information folder and includes information required by law or regulatory guidance in the relevant jurisdiction including information under the following headings:

- a. Quick Facts
- b. What does the fund invest in?
- c. How has the fund performed?

- d. How risky is it?
- e. Are there any guarantees?
- f. Who is the fund for?
- g. How much does it cost?
- h. What if I change my mind? and
- i. For More Information.

“Individual Variable Insurance Contract” or “IVIC” means an individual contract of Life Insurance, including an annuity contract, under which the Insurer’s liabilities vary in amount depending upon the market value of a specified group of assets in a Segregated Fund. IVIC includes a provision in an individual contract of Life Insurance under which policy dividends are deposited in a Segregated Fund.

“Insurer” means an insurer as defined under the laws of the applicable Canadian jurisdiction.

“Insurer’s Name” means an Insurer’s full legal name.

“Intermediary” means a Licensed Individual authorized to sell and service IVICs under the laws of the relevant Canadian jurisdiction, or a Licensed Business.

“Investment Option” in connection with an IVIC means each Segregated Fund offered for investment under the IVIC and any other investment offered under the IVIC, including a guaranteed interest investment.

“IVIC Structure” with respect to an Owner’s IVIC means how the IVIC is structured, including the following:

- a. Ownership structure, including whether there is one Owner or more than one and, if more than one, any division of rights among the Owners while they are alive and the rights surviving Owners will have when one Owner dies, and designation of successor or contingent Owners if applicable,
- b. Beneficiaries, and successor Annuitants or successor holders if applicable,
- c. Annuitant or Annuitants upon whose death the IVIC will end, and
- d. Measuring life or lives where benefits under the IVIC are available as long as one of the measuring lives are alive, if applicable; under some IVICs a measuring life may be different from the Annuitant.

“Licensed Business” means any person licensed under the laws of the relevant Canadian jurisdiction to sell IVICs, other than an Insurer or a Licensed Individual.

“Licensed Individual” means any of the following individuals:

- a. an insurance agent,
- b. an insurance broker, or
- c. an insurance representative

authorized under the laws of the applicable Canadian jurisdiction.

“Life Insurance” means life insurance as defined under the laws of the applicable Canadian jurisdiction and includes an annuity or an undertaking to provide an annuity.

“Management Expense Ratio” or “MER” means the ratio, expressed as a percentage, of the Management Expenses of a Segregated Fund to the fund’s average daily net asset value for a financial year calculated in accordance with CLHIA G2.

“Management Expenses” means a Segregated Fund’s management fees, operating and other administration expenses, including those of any Secondary Fund, and all taxes other than income taxes but excluding Trading Expenses. Management fees are net of any fees or expenses waived.

“Market Value” of the units of a Segregated Fund in an IVIC is the value of the investments in that Segregated Fund, calculated by taking the number of fund units within the IVIC and multiplying it by the market value per unit at the end of the date for which the market value is calculated.

“Material Change to Customer Information” means a change in information about the Owner that could result in a change in the Owner’s needs or the recommendations or advice provided to the Owner, or should reasonably cause an Intermediary to question whether the Owner’s IVIC, as structured, including investments, continues to meet the needs of the Owner.

“Owner” means a person who owns an IVIC.

“Secondary Fund” means a secondary fund as defined in the CLHIA G2.

“Segregated Fund” means a specified and distinct group of assets the Insurer holds with respect to an IVIC, in which an Owner can invest by allocating deposits to units of a segregated fund under the IVIC.

“Statement Date” means the date of the last day of the period covered by the statement.

“Trading Expense Ratio” or “TER” means the ratio, expressed as a percentage, of the Trading Expenses of a Segregated Fund to the fund’s average daily net asset value for the financial year, as calculated under Part 5: Calculation of Trading Expense Ratio.

“Trading Expenses” means the total commissions and other portfolio transaction costs paid or payable by the Insurer from the assets of the segregated fund on the purchase and sale of the fund’s assets, including those of any Secondary Fund.

“Withdrawal Phase” means the time between when the Owner triggers the guaranteed withdrawal benefit under an IVIC that provides such a benefit, and ends when there is no longer enough money held within the IVIC to pay a scheduled withdrawal.

## **Part 2: Scope**

This Guidance sets out the expectations of the Canadian Council of Insurance Regulators (CCIR) and the Canadian Insurance Services Regulatory Organization (CISRO) for an enhanced disclosure framework for IVICs. This enhanced disclosure framework includes expectations to provide more transparency to Owners and covers:

- IVIC investment performance,
- cost reporting, and
- insurance guarantees.

This Guidance applies only to:

- IVICs, including, for greater certainty, IVICs issued and outstanding prior to the date of this Guidance unless otherwise indicated in this Guidance, and
- Insurers who design, distribute, issue, sell or administer IVICs in Canada.

This Guidance does not apply to group variable insurance products or any other non-IVIC insurance products.

This guidance is the first component of an intended CCIR/CISRO guidance for the design, distribution, issuance, sale, and administration of IVICs. Once the other components have been finalized, this standalone guidance may be discontinued and its expectations reproduced as part of the consolidated guidance.

## **Part 3: Annual Statement to Contract Owner**

- 3.1 The Insurer shall provide to the Owner of each IVIC, within four months of each fiscal year end of the Segregated Funds within the IVIC, a statement showing the information described in Schedule A.
- 3.2 Insurers may request exemptions from specific expectations in Schedule A from CCIR by submitting a request in accordance with Schedule B.

## **Part 4: Calculating Fund Expenses**

- 4.1 Insurers must calculate and report the amount of a Segregated Fund's Fund Expenses allocated to an IVIC based on:
  - a. how many Segregated Fund units the Owner held in the IVIC, and
  - b. when the Owner held the Segregated Fund units during the reporting period.
- 4.2 Insurers must use the following formula to calculate the Fund Expenses of an applicable class or series of Segregated Fund for each day an Owner held units of the applicable

class or series of the Segregated Fund during the reporting period, making any adjustments reasonably necessary to accurately determine an Owner's Fund Expenses.

$$A \times B \times C$$

- A = the Fund Expense Ratio For The Day of the applicable class or series of the Segregated Fund;
- B = the market value of a unit for the day of the applicable class or series of the Segregated Fund; and
- C = the number of Segregated Fund units within the Owner's IVIC for the day.

- 4.3 Insurers may use a reasonable approximation of the fund calculation inputs "A" and "B" for s. 4.2 provided the Insurer reasonably believes that doing so would not result in reporting misleading information to an Owner. For example, a reasonable approximation may include estimating the Fund Expense Ratio For The Day by dividing the Segregated Fund's FER in the most recent Fund Facts document or financial statement by the number of days in the year. It would be misleading to use this estimation if the Insurer knows there has been an event which resulted in a significant change to the FER since the document was published.
- 4.4 For reporting an Owner's Fund Expenses under Schedule A s. 3) a), Insurers must repeat the calculation under s. 4.2 for each class or series of Segregated Fund which the Owner held units of during the reporting period and aggregate the results.
- 4.5 Insurers are not required to calculate and report the Fund Expenses of a Segregated Fund which was established less than 12 months before the Statement Date.

## **Part 5: Calculation of Trading Expense Ratio**

- 5.1 The Trading Expense Ratio of a Segregated Fund for any financial year shall be calculated by:
- a. dividing
    - i. the total commissions and other portfolio transaction costs before income taxes, for the financial year as shown on its statement of comprehensive income;
  - by
  - ii. the same denominator as is used to calculate the Management Expense Ratio
  - and
  - b. multiplying the result obtained under paragraph (a) by 100.

If a Segregated Fund invests in a Secondary Fund, the insurer must calculate the Trading Expense Ratio using the methodology required for the calculation of the Management

Expense Ratio in section 8.1 of CLHIA G2 - Calculation of Management Expense Ratio, making reasonable assumptions or estimates when necessary.

## **Part 6:      Reminder to Update Customer Information**

- 6.1 Each Insurer must, on an annual basis, take reasonable steps to:
- a. invite each Owner to contact and update their Intermediary about any Material Change to Customer Information since the last time the Owner provided information to their Intermediary,
  - b. explain why it is important for the Owner's Intermediary to have up-to-date information, and
  - c. invite each Owner to review the IVIC, IVIC Structure and Investment Options they selected for each IVIC held and discuss proposed changes with their Intermediary.
- 6.2 For clarity, it is a reasonable step for an Insurer to include the elements of section 6.1 in its annual statement to an Owner.

## **Schedule A – Minimum Content of Annual Statement**

### **1) General**

- a) Statement Date,
- b) The following information about the Insurer:
  - i) Insurer's Name,
  - ii) Insurer's phone number, and
  - iii) Insurer's website,
- c) The following information about the IVIC:
  - i) Contract name,
  - ii) Contract tax status,
  - iii) Contract number, and
  - iv) When the contract began,
- d) Owner(s),
- e) Annuitant(s),
- f) Designated beneficiary(ies),
- g) The following information about the Licensed Individual responsible for servicing the IVIC:
  - i) Licensed Individual's name,
  - ii) Licensed Individual's phone number, and
  - iii) Licensed Individual's email address,
- h) A notice in plain language to
  - i) Remind Owner(s) that the information contained in the statement will help them track their financial goals,
  - ii) Remind Owner(s) they can obtain copies of the most recent Fund Facts associated with their contract, annual audited financial statements and semi-annual unaudited financial statements for each Segregated Fund and how to obtain them, and
  - iii) Invite Owner(s) to contact the Licensed Individual or the Insurer if the Owner needs additional information.

### **2) Performance – Contract**

- a) For the IVIC as a whole, the Market Value at the start of the year and at the Statement Date
- b) For the IVIC as a whole, as of the Statement Date, the total deposits
  - i) Since the IVIC began, and
  - ii) Since the start of the year,
- c) For the overall IVIC, as of the Statement Date, total withdrawals
  - i) Since the IVIC began, and



- ii) Since the start of the year,
- d) For the overall IVIC, as of the Statement Date, the change in value of investments in the IVIC for reasons other than deposits to or withdrawals from the IVIC
  - i) Since the IVIC began, and
  - ii) Since the start of the year,
- e) Personal rate of return, as a percentage, calculated on the dollar-weighted method:
  - i) Since the IVIC began, and
  - ii) Where the IVIC has been in effect for the relevant time:
    - (1) For the 10 years ending on the Statement Date,
    - (2) For the 5 years ending on the Statement Date,
    - (3) For the 3 years ending on the Statement Date, and
    - (4) For the year ending on the Statement Date, and
- f) A plain language explanation that the personal rate of return may be different than the rate realized by the Segregated Funds within the IVIC because calculation of personal rate of return depends on factors such as timing of deposits and withdrawals.

### **3) Fees and Charges – Contract**

- a) For the IVIC as a whole, the dollar amount the Owner incurred during the year for each of the following,
  - i) Fund Expenses
  - ii) Front end load charges,
  - iii) Deferred sales charges,
  - iv) Advisory Service Fee,
  - v) Withdrawals fees
  - vi) Transfer fees,
  - vii) Reset fees,
  - viii) Early withdrawal and/or short term trading fee,
  - ix) Fees with respect to cheques returned due to insufficient funds,
  - x) Small policy fee,
  - xi) Insurance fees not paid by the Insurer from the assets of a Segregated Fund, and
  - xii) Any other Fees and Charges deducted from the IVIC.
- b) For further clarity, the Insurer is not required to include one of the above Fees and Charges if the dollar amount the Owner incurred for that fee or charge in the year is zero.
- c) For the IVIC as a whole, the dollar amount of the total of the items listed in Schedule A s. 3) a),
- d) Any changes to the insurance fee, where legally permitted,

- e) A plain language explanation that any Fees and Charges the Owner pays directly to the Licensed Individual and/or Licensed Business, if applicable, are not included in the amount in Schedule A s. 3) c), and
- f) Plain language explanations of
  - i) How Fees and Charges affect returns,
  - ii) The actions an Owner can take regarding the Fees and Charges information in the statement,
  - iii) The fact approximations have been used when calculating Fund Expenses, if applicable,
  - iv) The fact an Owner can look at the Fund Facts document for more information about Fees and Charges, including Fund Expenses.
- g) Where applicable, a notice in plain language:
  - i) Explaining that the total Market Value of the contract is not necessarily the amount the Owner will receive if they end their contract,
  - ii) Explaining how the Owner can get more details about the amount of money they would receive if they ended their contract, and
  - iii) If the costs the Owner would incur if they withdrew the total Market Value of the IVIC are significant, explaining these costs in enough detail to allow the Owner to understand the effect of the costs.

For further clarity, the disclosure explicitly required under this guidance with respect to deferred sales charges is sufficient to address item Schedule A s. 3) g) iii) regarding deferred sales charges.

#### **4) Segregated Fund details – Value, Fund Expense Ratio, Deferred Sales Charges**

- a) For each Segregated Fund held within the IVIC during the year described by the statement:
  - i) The Segregated Fund name,
  - ii) Market Value of the Segregated Fund at start of year,
  - iii) Since the start of the year:
    - (1) Total deposits into the Segregated Fund,
    - (2) Total withdrawals from the Segregated Fund, and
    - (3) The change in value of investments in the Segregated Fund for reasons other than deposits or withdrawals,
  - iv) As of the Statement Date:
    - (1) Number of Segregated Fund units held,
    - (2) Market value per Segregated Fund unit, and
    - (3) Total Market Value of Segregated Fund units held,
  - v) The Fund Expense Ratio for the fund,

- vi) The fact that a deferred sales charge applies, if applicable, and
- vii) The fact that no Fund Expense Ratio is provided for a Segregated Fund because the fund was established less than 12 months before the Statement Date, if applicable.
- b) A plain language explanation of:
  - i) What the Fund Expense Ratio is, and
  - ii) The fact that the dollar amount of the Fund Expenses allocated to the IVIC are included in the details of the charges for the IVIC for the year.

## **5) Guarantees**

- a) For the IVIC as a whole as of the Statement Date:
  - i) The Market Value of the Segregated Funds subject to the guarantee under the contract,
  - ii) The maturity date of the guarantee of the contract as a whole,
  - iii) The dollar value guaranteed on the contract maturity date, and
  - iv) The dollar value guaranteed on death of the Annuitant(s).
- b) For further clarity, if the contract has more than one maturity date, the Insurer is only required to provide the information under Schedule A s. 5) a) i), ii) and iii) for the maturity guarantee of the contract as a whole, not for each separate deposit.
- c) If the contract has an automatic reset provision, the date of the next automatic reset and an explanation of the impacts of this reset on the values of the guarantees.

## **6) Guarantees – Contracts with guaranteed withdrawals**

### **Accumulation Phase**

- a) If the IVIC provides a guaranteed withdrawal benefit and all or part of the contract is in the Accumulation Phase, the following information with respect to the assets in the Accumulation Phase:
  - i) The annual guaranteed withdrawal amount for every withdrawal option available to the Owner under that contract at:
    - (1) The earliest age at which the Owner can begin receiving guaranteed withdrawals,
    - (2) Age 65, if applicable, and
    - (3) Age 70, if applicable,
  - ii) A notice in plain language that the guaranteed amounts have been calculated assuming,
    - (1) The Owner will make no further deposits to the IVIC,
    - (2) The Owner will make no withdrawal from the IVIC, aside from the guaranteed withdrawals,

- (3) The value of the units in the IVIC will not change between the date of calculation and the dates for which guaranteed withdrawal amounts are shown,
- (4) That no bonuses will be credited to the IVIC, if applicable, between the date of calculation and the dates for which guaranteed withdrawal amounts are shown, and
- (5) That the Owner will not reset any guarantees under the IVIC, if applicable, between the date of calculation and the dates for which guaranteed withdrawal amounts are shown,
- iii) A notice in plain language explaining how guarantees are affected by withdrawals, and
- iv) If applicable, a notice in plain language to remind the Owner of their ability to make discretionary resets of the guarantees under the contract.

### **Withdrawal Phase**

- b) If the IVIC provides a guaranteed withdrawal benefit and all or part of the contract is in the Withdrawal Phase, the following information with respect to the assets in the Withdrawal Phase:
  - i) The guaranteed annual withdrawal amount,
  - ii) How long the guaranteed annual withdrawal amount will be payable, assuming the Owner does not make any withdrawals other than the scheduled withdrawals,
  - iii) The amount the Owner has chosen to receive annually, if different from the guaranteed annual withdrawal amount,
  - iv) If the IVIC is a registered retirement income fund ("RRIF"), life income fund ("LIF"), Locked-in Retirement Income Fund ("LRIF") or Restricted Life Income Fund ("RLIF"), the minimum RRIF, LIF, LRIF or RLIF withdrawal for the year following the Statement Date,
  - v) If the IVIC is a LIF, LRIF or RLIF, the maximum LIF, LRIF or RLIF withdrawal for the year following the Statement Date,
  - vi) A notice that any withdrawals that exceed the guaranteed annual withdrawal amount will decrease future guaranteed withdrawal amounts, except if required with respect to RRIF, LIF, LRIF or RLIF minimum withdrawals, and
  - vii) A notice in plain language explaining the guaranteed withdrawal amount will be payable to the Owner even if the Market Value of the relevant assets in the contract is less than the guaranteed withdrawal amount.

**Benefits Phase**

- c) If the IVIC provides a guaranteed withdrawal benefit and all or part of the contract is in the Benefits Phase, the following information with respect to the assets in the Benefits Phase:
  - i) The guaranteed annual withdrawal amount, and
  - ii) How long the withdrawal amount is guaranteed to be payable.

## **Schedule B – Modified Compliance and Exemptions**

It is CCIR's understanding that in some cases, given the long-term nature of IVICs, some products are housed on technical systems which are old. These systems were built at a time when different requirements were in place and the cost of upgrading these systems to comply with this guidance may be passed down to the Owners of the products administrated on older systems.

To balance the overall benefit and costs Owners would receive from the expectations under this guidance, individual Insurers may submit a request to CCIR to be fully or partially exempt from specific expectations under this guidance or providing required information in a different format. The onus will be on the Insurer to identify how much information it can provide to Owners of specific IVICs before the cost to those Owners exceeds the benefits to those Owners.

At a minimum, Insurers need to provide answers and supporting evidence to the following questions:

- 1) Which expectations are the Insurer seeking exemption from?
- 2) Why can't the Insurer fully comply with the expectations?
- 3) How is a grant of an exemption consistent with fair treatment of customers?
- 4) What will be the costs to Owner where:
  - a) Insurers fully comply with the expectations?
  - b) Insurers receive the requested exemptions under question 1?
- 5) Which product(s) are Insurers seeking an exemption for and whether they use the same system(s)?
- 6) For each product:
  - a) Are these products still being sold?
  - b) If these products are not being sold, are Insurers still accepting new deposits?
  - c) How many contracts have been issued?
  - d) How many unique policyholders are there?
  - e) What are the total assets under management?
  - f) What is the estimated run-off time for products?

CCIR may request additional information. CCIR will then determine whether, in their view, the cost of complying with the expectation(s) would result in costs to Owners of specific IVICs that are higher than the benefit those Owners would receive from the expectation.

## ACCUMULATION PROTOTYPE



Your annual statement  
as at December 31, 2020

ABC Insurer Inc.

1234 West Street,  
Toronto, Ontario

1 800 567 8901  
[abcinsurerinc.ca](http://abcinsurerinc.ca)

This statement provides you with information on how your contract has performed this year, including the rate of return and value of guarantees. It provides you with all charges and fees associated with your contract. It will help you track your financial goals. We recommend that you read it carefully. The Fund Facts documents and annual audited financial statements for segregated funds are available upon request. Please contact your representative or us if you require additional information.

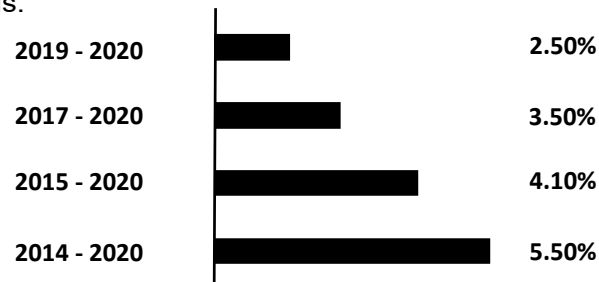
## Information on your contract

**Contract name:** ABC RetirementPlus  
**Contract tax status:** Registered  
**Contract no.:** 78902314  
**Issue date:** March 20, 2014  
**Owner:** John Smith  
**Annuitant:** John Smith  
**Designated beneficiary:** Jane Smith  
**Your representative:** George Advisor  
**Your representative's telephone no.:** 1 416 444 5353  
**Your representative's e-mail address:** [gadvisor@advisor.ca](mailto:gadvisor@advisor.ca)

As at December 31, 2020			
Segregated funds	Number of units	Market value per unit (\$)	Market value (\$)
<b>ABC Management Monthly Income Fund, Standard Series, DSC</b>			
Guarantee 75/100	250.00	\$78.00	\$19,500.00
<b>ABC Management Canadian Equity Fund, Standard Series, FEL</b>			
Guarantee 75/100	450.00	\$50.00	\$22,500.00
Total <sup>1</sup>			\$42,000.00

## Your total annual personal rate of return (net of charges)

The following graph shows your total annual personal rate of return net of charges for different periods. Note that this rate of return may be different than the rate of return realized by the segregated funds because it takes into account the timing of your deposits and withdrawals.



<sup>1</sup> This is not necessarily the amount you would receive if you made a withdrawal. As an example, deferred sales charges or withdrawal fees may change the withdrawal value. You can contact us to learn the actual amount you can receive.

Your Contract Number: 78902314

## Holdings in your Contract

### On December 31, 2020

#### Contract values since issue on March 20, 2014

Deposits	\$38,166.67
Withdrawals	(\$1,666.67)
Net Growth or Loss <sup>2</sup>	\$5,500.00
<b>Market value at end of 2020</b>	<b>\$42,000.00</b>

#### Contract values since December 31, 2019

<u>Segregated funds</u>	Market value at end of 2019	Deposits	Withdrawals	Net Growth or Loss <sup>2</sup>	Market value at end of 2020	Fund expense ratio <sup>3</sup>
ABC Management Monthly Income Fund, Standard Series 75/100, DSC <sup>4</sup>	\$20,650.21	\$0.00	\$1,666.67	\$516.46	\$19,500.00	1.18%
ABC Management Canadian Equity, Standard Series 75/100, FEL	\$21,951.22	\$0.00	\$0.00	\$548.78	\$22,500.00	2.04%
<b>Totals</b>	<b>\$42,601.43</b>	<b>\$0.00</b>	<b>\$1,666.67</b>	<b>\$1,065.24</b>	<b>\$42,000.00</b>	
Total annual rate of return (net of charges)				2.5%		

<sup>2</sup> Total charges deducted from your return are detailed in the following section.

<sup>3</sup> The fund's expenses are made up of the management fee, operating expenses, trading costs, applicable sales taxes and the insurance costs for your maturity and death benefit guarantees. You don't pay these expenses directly. We periodically deduct them from the value of your investments to manage and operate the funds. Different funds charge different levels of fees. They affect you because they reduce the fund's returns. These expenses add up over time. Fund expenses are expressed as an annual percentage of the total fund's value. They correspond to the sum of the fund's management expense ratio (MER) and trading expense ratio (TER). These costs are already reflected in the current values reported for your fund investments. The dollar amount of the expense calculated from the fund expense ratio is included in the costs described below in the following section.

<sup>4</sup> Your fund has a deferred sales charge. You can withdraw all the money in this fund, but you may be charged a fee to do so if you are withdrawing those funds before the end of the 7-year deferred sales charge period.



Your Contract Number: 78902314

## Details of charges for the year 2020

### Important: Review Your Costs

This part of the report shows the total cost of owning your contract last year. These costs impact your return. This does not include fees billed directly by your representative, if applicable.

Your cost of investing is impacted by your choices.

You can refer to Fund Facts documents for more information about the fund expenses and its component parts.

### Your total cost of investing was \$760 last year

Withdrawal fees on deferred sales charge investments <sup>5</sup>	\$50.00
Transfer fee	\$20.00
Investment fund expenses (Fund expenses), including indirect insurance costs <sup>6</sup>	\$645.00
Direct insurance cost for your guarantees <sup>7</sup>	\$45.00
<b>Total</b>	<b>\$760.00</b>

### What can I do with this information?

Take action by contacting your advisor to discuss the fees you pay, the impact the fees have on the long-term performance of your investments and contract, and the value you receive in return.

<sup>5</sup> You paid this cost to us because you withdrew money from a fund before the end of the deferred sales charge period, and it was more than your contract said you could withdraw without paying a deferred sales charge. You paid this cost directly from money withdrawn from your contract and it reduced the amount you received when you withdrew money.

<sup>6</sup> The number shown here is the estimated total dollar amount you paid in management fees, trading fees, operating expenses and insurance costs for your maturity and death benefit guarantees for all the segregated funds you owned last year. This amount depends on each of your funds' fund expenses and the amount you invested in each fund. These costs are already reflected in the market values reported for your fund investments.

<sup>7</sup> This is what you paid us this year for the guaranteed withdrawal amount under your contract. You paid this cost by withdrawing investments in your contract.

Your Contract Number: 78902314

## Your contract's guarantees

Your contract contains insurance features that offer you protection against negative market movements. You have a death guarantee and a maturity guarantee that protect a portion of your investment.

When you decide to withdraw money from your contract, you also have a guarantee that you will be able to withdraw a certain amount for a certain period of time or for the remainder of your life. The guaranteed withdrawal amount will be payable to you even if the market value of the guaranteed segregated funds in the contract is less than this amount.

The chart below shows the actual value of those guarantees.

Guarantee 75/100 <sup>8</sup>		
Market value of your segregated funds:		\$42,000.00
Maturity date of the guarantee:		January 12, 2084
Value of 75% guarantee at maturity:		\$27,428.42
Value of 100% guarantee on death:		\$36,571.22
Date of the next automatic reset of your guarantees <sup>9</sup>		March 30, 2024
Accumulation phase		
Guaranteed lifetime annual withdrawal amount, if taken: <sup>10</sup>		
	At age 55	\$575.50
	At age 65	\$893.65
	At age 70	\$1,353.20

<sup>8</sup> On withdrawal, the value of your guarantees is adjusted proportionally to the market value of your contract at the time of withdrawal. For example, if someone withdraws \$1,200 when the market value of the segregated fund contract is \$6,000, the withdrawal will reduce the market value of the segregated funds by 20 per cent (\$1,200/\$6,000). The maturity and death benefit guarantee amounts will be reduced proportionally by the same 20 per cent.

<sup>9</sup> You may make discretionary resets up to 3 times per year subject to certain conditions, as stipulated in your contract. Kindly contact your representative for additional information on the subject. A reset will lock-in a new maturity or death benefit guarantee based on the current market value of the IVIC. A reset to the maturity guarantee will also restart the maturity guarantee period, delaying the maturity date of your IVIC.

<sup>10</sup> Guaranteed withdrawal amounts have been calculated assuming no bonus, no deposit or withdrawal, no future return and no reset of guarantees between now and the start of annual periodic withdrawals.

## DEFINITIONS

- Accumulation Phase: This phase starts when you begin making deposits into the contract and continues until you notify us you would like to trigger the Withdrawal Phase to start taking scheduled withdrawals.
- Deposit: Amount you paid to us for the purchase of segregated fund units.
- Market value: This is the value of your investments, calculated by taking the number of fund units and multiplying it by the market value per unit.
- Net Growth / Loss: This is the amount your investments have increased or decreased other than due to deposits, withdrawals or transfers in or out.
- Reset: Option enabling the contract holder to reevaluate the guaranteed values applicable to his or her contract.
- Segregated Fund: A separate and distinct group of assets maintained by an insurer in respect of which the benefits of a variable insurance contract are provided.
- Total annual personal rate of return: This is how your investments have performed over time. This is calculated using an industry-standard method known as the “money weighted method” which factors in the time of your deposits and withdrawals (net of all charged fees) and does not take income tax into account. Your actual returns will depend on your personal tax situation. Since most benchmarks do not consider funds’ management fees and operating fees, your personal rate of return cannot be directly compared with an index.
- Transfer: Sometimes called a switch, this is the withdrawal of units in a fund for the purpose of purchasing units in another fund.
- Withdrawal: Withdrawals out of the contract from specific segregated fund units.

## WITHDRAWAL PROTOTYPE



**Your annual statement  
As at December 31, 2020**

**ABC Insurer Inc.**

1234 West Street,  
Toronto, Ontario

1 800 567 8901  
[abcinsurerinc.ca](http://abcinsurerinc.ca)

This statement provides you with information on how your contract has performed this year, including the rate of return and value of guarantees. It provides you with all charges and fees associated with your contract. It will help you track your financial goals. We recommend that you read it carefully. The Fund Facts documents and annual audited financial statements for segregated funds are available upon request. Please contact your representative or us if you require additional information.

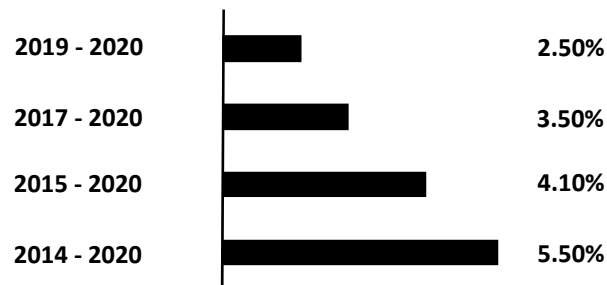
## Information on your contract

**Contract name:** ABC RetirementPlus  
**Contract tax status:** Registered  
**Contract no.:** 78902314  
**Issue date:** March 20, 2014  
**Owner:** John Smith  
**Annuitant:** John Smith  
**Your representative:** George Advisor  
**Your representative's telephone no.:** 1 416 444 5353  
**Your representative's e-mail address:** [gadvisor@advisor.ca](mailto:gadvisor@advisor.ca)

As at December 31, 2020			
Segregated funds	Number of units	Market value per unit (\$)	Market value (\$)
<b>ABC Management Monthly Income Fund, Standard Series, DSC</b>			
Guarantee 75/100	250.00	\$78.00	\$19,500.00
<b>ABC Management Canadian Equity Fund, Standard Series, FEL</b>			
Guarantee 75/100	450.00	\$50.00	\$22,500.00
Total <sup>1</sup>			\$42,000.00

## Your total annual personal rate of return (net of charges)

The following graph shows your total annual personal rate of return net of charges for different periods. Note that this rate of return may be different than the rate of return realized by the segregated funds because it takes into account the timing of your deposits and withdrawals.



<sup>1</sup> This is not necessarily the amount you would receive if you made a withdrawal. As an example, deferred sales charges or withdrawal fees may change the withdrawal value. You can contact us to learn the actual amount you can receive.

Your Contract Number: 78902314

## Holdings in your Contract

On December 31, 2020

### Contract values since issue on March 20, 2014

Deposits	\$38,166.67
Withdrawals	(\$1,666.67)
Net Growth or Loss <sup>2</sup>	\$5,500.00
<b>Market value at end of 2020</b>	<b>\$42,000.00</b>

### Contract values since December 31, 2019

<u>Segregated funds</u>	Market value at end of 2019	Deposits	Withdrawals	Net Growth or Loss <sup>2</sup>	Market value at end of 2020	Fund expense ratio <sup>3</sup>
ABC Management Monthly Income Fund, Standard Series 75/100, DSC <sup>4</sup>	\$20,650.21	\$0.00	\$1,666.67	\$516.46	\$19,500.00	1.18%
ABC Management Canadian Equity, Standard Series 75/100, FEL	\$21,951.22	\$0.00	\$0.00	\$548.78	\$22,500.00	2.04%
<b>Totals</b>	<b>\$42,601.43</b>	<b>\$0.00</b>	<b>\$1,666.67</b>	<b>\$1,065.24</b>	<b>\$42,000.00</b>	
Total annual rate of return (net of charges)				2.5%		

<sup>2</sup> Total charges deducted from your return are detailed in the following section.

<sup>3</sup> The fund's expenses are made up of the management fee, operating expenses, trading costs, applicable sales taxes and the insurance costs for your maturity and death benefit guarantees. You don't pay these expenses directly. We periodically deduct them from the value of your investments to manage and operate the funds. Different funds charge different levels of fees. They affect you because they reduce the fund's returns. These expenses add up over time. Fund expenses are expressed as an annual percentage of the total fund's value. They correspond to the sum of the fund's management expense ratio (MER) and trading expense ratio (TER). These costs are already reflected in the current values reported for your fund investments. The dollar amount of the expense calculated from the fund expenses ratio is included in the costs described below in the following section.

<sup>4</sup> Your fund has a deferred sales charge. You can withdraw all the money in this fund, but you may be charged a fee to do so if you are withdrawing those funds before the end of the 7-year deferred sales charge period.

Your Contract Number: 78902314

## Details of charges for the year 2020

### Important: Review Your Costs

This part of the report shows the total cost of owning your contract last year. These costs impact your return. This does not include fees billed directly by your representative, if applicable.

Your cost of investing is impacted by your choices.

You can refer to Fund Facts documents for more information about the fund expenses and its component parts.

### Your total cost of investing was \$760 last year

Withdrawal fees on deferred sales charge investments <sup>5</sup>	\$50.00
Transfer fee	\$20.00
Investment fund expenses (Fund expenses), including indirect insurance costs <sup>6</sup>	\$645.00
Direct insurance cost for your guarantees <sup>7</sup>	\$45.00
<b>Total</b>	<b>\$760.00</b>

### What can I do with this information?

Take action by contacting your advisor to discuss the fees you pay, the impact the fees have on the long-term performance of your investments and contract, and the value you receive in return.

<sup>5</sup> You paid this cost to us because you withdrew money from a fund before the end of the deferred sales charge period, and it was more than your contract said you could withdraw without paying a deferred sales charge. You paid this cost directly from money withdrawn from your contract and it reduced the amount you received when you withdrew money.

<sup>6</sup> The number shown here is the estimated total dollar amount you paid in management fees, trading fees, operating expenses and insurance costs for your maturity and death benefit guarantees for all the segregated funds you owned last year. This amount depends on each of your funds' fund expenses and the amount you invested in each fund. These costs are already reflected in the market values reported for your fund investments.

<sup>7</sup> This is what you paid us this year for the guaranteed withdrawal amount under your contract. You paid this cost by withdrawing investments in your contract.

Your Contract Number: 78902314

## Your contract's guarantees

Your contract contains insurance features that offer you protection against negative market movements. You have a death guarantee and a maturity guarantee that protect a portion of your investment.

When you decide to withdraw money from your contract, you also have a guarantee that you will be able to withdraw a certain amount for a certain period of time or for the remainder of your life. The guaranteed withdrawal amount will be payable to you even if the market value of the guaranteed segregated funds in the contract is less than this amount.

The chart below shows the actual value of those guarantees.

Guarantee 75/100 <sup>8</sup>	
Market value of your segregated funds:	\$42,000.00
Maturity date of the guarantee:	January 12, 2065
Value of 75% guarantee at maturity:	\$27,428.42
Value of 100% guarantee on death:	\$36,571.22

Withdrawal phase	
Guaranteed annual withdrawal amount:	\$1,470.00
Annual withdrawal amount you have chosen to receive: <sup>9</sup>	\$1,500.00
Income payable until	Until the Annuitant's death
RRIF/LIF/LRIF/RLIF minimum withdrawal amount	\$1,400.00
LIF/LRIF/RLIF maximum withdrawal amount	No maximum

<sup>8</sup> On withdrawal, the value of your guarantees is adjusted proportionally to the market value of your contract at the time of withdrawal. For example, if someone withdraws \$1,200 when the market value of the segregated fund contract is \$6,000, the withdrawal will reduce the market value of the segregated funds by 20 per cent (\$1,200/\$6,000). The maturity and death benefit guarantee amounts will be reduced proportionally by the same 20 per cent.

<sup>9</sup> Any withdrawals that exceed the guaranteed annual withdrawal amount will decrease future guaranteed withdrawal amounts except if required in respect of a RRIF/LIF/LRIF/RLIF minimum withdrawal amount. The guaranteed annual withdrawal amount will be paid to you even if the amount of money in your contract is less than the guaranteed payment amount.

## DEFINITIONS

- Deposit: Amount you paid to us for the purchase of segregated fund units.
- Market value: This is the value of your investments, calculated by taking the number of fund units and multiplying it by the market value per unit.
- Net Growth / Loss: This is the amount your investments have increased or decreased other than due to deposits, withdrawals or transfers in or out.
- Reset: Option enabling the contract holder to reevaluate the guaranteed values applicable to his or her contract.
- Segregated Fund: A separate and distinct group of assets maintained by an insurer in respect of which the benefits of a variable insurance contract are provided
- Total annual personal rate of return: This is how your investments have performed over time. This is calculated using an industry-standard method known as the "money weighted method" which factors in the time of your deposits and withdrawals (net of all charged fees) and does not take income tax into account. Your actual returns will depend on your personal tax situation. Since most benchmarks do not consider funds' management fees and operating fees, your personal rate of return cannot be directly compared with an index.
- Transfer: Sometimes called a switch, this is the withdrawal of units in a fund for the purpose of purchasing units in another fund.
- Withdrawal: Withdrawals out of the contract from specific segregated fund units.
- Withdrawal Phase: This phase starts when you trigger your guaranteed withdrawal benefit and start taking the scheduled withdrawals. It continues while the contract has enough invested money to pay each scheduled withdrawal. When there is no longer any money invested in the contract, the contract transitions to the benefit payment phase where you will continue to receive your guaranteed withdrawal amount.



## BENEFITS PROTOTYPE



**Your annual statement**  
**As at December 31, 2020**

**ABC Insurer Inc.**

1234 West Street,  
 Toronto, Ontario

1 800 567 8901  
[abcinsurerinc.ca](http://abcinsurerinc.ca)

This statement provides you with information on your contract, including the value of guarantees. It will help you track your financial goals. We recommend that you read it carefully. Please contact your representative or us if you require additional information.

## Information on your contract

**Contract name:** ABC RetirementPlus  
**Contract tax status:** Non-Registered  
**Contract no.:** 78902314  
**Issue date:** March 20, 2014  
**Owner:** John Smith  
**Annuitant:** John Smith  
**Your representative:** George Advisor  
**Your representative's telephone no:** 1 416 444 5353  
**Your representative's e-mail address:** [gadvisor@advisor.ca](mailto:gadvisor@advisor.ca)

## Your contract's guarantees

Your contract no longer has any active investments. However, it contains an insurance feature which provides guaranteed income payments for a certain period of time. The chart below shows the value of those payments.

### Benefit Payments Phase

Guaranteed annual withdrawal amount: \$7,000

Income payable until: Until the Annuitant's death