Ushering in a new era of disclosure

Firms that are registered to deal in securities or act as portfolio managers will be required to provide investors with new information about the cost and performance of their investments. **New disclosure requirements** related to the Client Relationship Model (CRM) that came into effect on July 15, 2014 are some of the first to be introduced by the Canadian Securities Administrators (CSA) as part of its three-year phased approach to improving the clarity and quality of information investors receive about how much they and their advisor are earning on their money.

Know your costs up front and enjoy greater transparency

As of July 15, 2014, your advisor is now required to tell you more about what it costs you to trade securities, and about incentive payments they may get from the companies that issue securities that you buy. This includes:

- Pre-trade disclosure of point-of-sale charges
- Pre-trade disclosure of information about any deferred sales charges (DSC) and trailing commissions that may apply
- Trade confirmations for fixed income (debt) securities expanded to include annual yield and information about any embedded commissions

**EXEMPTIONS:** CRM pre-trade disclosure rules do not apply to managed accounts and portfolio managers are not required to send trade confirmations. But, managed account clients **will** receive an expanded account statement and annual reports.
Own a mutual fund?

On a mutual fund, you may pay varying sales charges, other transaction fees and account fees to buy, hold and sell it. You typically don’t pay these expenses directly, but they affect you because they reduce the return on your investment.

GetSmarterAboutMoney.ca explains the different costs you could incur when owning a mutual fund. Carefully review the fees and expenses of any investment you’re considering. Even small differences in fees can translate into big differences in returns over time.

This calculator can show you how fees and other costs affect what you make investing in mutual funds.

What’s next for disclosure reforms

Further disclosure requirements, scheduled to be introduced in 2015 and 2016, include:

**Beginning July 15, 2015**

- **Expanded account statement** – Among other enhancements, account statements will be required to include the position costs and total costs of the securities in your account. By comparing this information with the market value information in the account statement, investors can more easily see their gains and losses.

**Beginning July 15, 2016**

Firms will be required to deliver two new annual reports to clients:

- **Report on charges and other compensation** – What your dealer or advisor was paid in exchange for the products and services they provided to you will be shown in dollars.

- **Investment performance report** – What your account has earned, including the change in value and the percentage investment returns for the previous year, the past three-, five- and ten-year periods, and since the account was opened (if it was longer than ten years ago).

The transparency of these new cost and performance rules will help you to assess your investments and the value of the recommendations of your advisor.

TIP: Although some CRM disclosure requirements aren’t yet in effect, ask your advisor to start providing you with this information now so you can better evaluate your investments and whether you’re on track to meet your financial goals.