

# IIROC NOTICE

**Rules Notice**  
**Notice of Approval/Implementation**  
Dealer Member Rules

*Please distribute internally to:*  
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**15-0013**  
**January 19, 2015**

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**Client Relationship Model - Phase 2**  
**Performance Reporting and Fee / Charge Disclosure amendments to**  
**Dealer Member Rule 200 and to Dealer Member Form 1**

**Background**

**December 2013 publication of proposed IIROC CRM2 Amendments**

On December 12, 2013 IIROC published for public comment proposed amendments to Dealer Member Rules 29, 200 and 3500 and to Dealer Member Form 1 (collectively the “IIROC CRM2 Amendments”) to address the following second (and final) set of regulatory objectives identified under the Client Relationship Model project:

- Annual account performance reporting;
- Pre-trade and trade confirmation compensation disclosures; and
- Annual account fee / charge reporting.

The IIROC CRM2 Amendments were published for public consideration at that time with the objective of adopting IIROC rule requirements that were substantially the same as the amendments adopted by the Canadian Securities Administrators (CSA) to National Instrument 31-103 relating to annual account performance reporting, pre-trade and trade confirmation disclosures and annual account fee / charge reporting (collectively the “CSA CRM2 Amendments”) which came into force on July 15, 2013.



## **Previous implementation announcement of 2014 IIROC CRM2 Amendments**

On May 29, 2014, IIROC announced through the issuance of IIROC Rules Notice 14-0133 the implementation of the following elements of the IIROC CRM2 Amendments, effective July 15, 2014:

- pre-trade disclosure of charges  
*[new Dealer Member Rule section 29.9]*
- trade confirmation disclosure of debt security trade compensation  
*[new Dealer Member Rule sub-clause 200.2(l)(v)(C)<sup>1</sup>]*
- relationship disclosure relating to investment performance benchmarks  
*[new Dealer Member Rule sub-clause 3500.5(2)(c)(j)]*

## **September 2014 republication of proposed 2015 and 2016 IIROC CRM2 Amendments**

On September 18, 2014 IIROC republished for further public comment revised proposed amendments to Dealer Member Rule 200 and to Dealer Member Form 1 that are scheduled to come into effect on July 15, 2015 and July 15, 2016 (collectively the “IIROC 2015 and 2016 CRM2 Amendments”). The notice explains that the rule republication became necessary when CSA staff requested that IIROC make amendments to its proposed rules to conform the scope of client positions to be reported within IIROC’s proposed new quarterly “Report on client positions held outside of the Dealer Member” with the scope of client positions to be reported within CSA’s new quarterly “Additional Statement”. The revised proposed IIROC 2015 and 2016 CRM2 Amendments include the following remaining important client disclosure-related requirements identified under the Client Relationship Model project:

- **Proposed IIROC 2015 CRM2 Amendments**
  - revised client account statement requirements
  - new requirement to provide quarterly report on client positions held outside of the Dealer Member
  - revised requirements on the timing of sending statements / reports to clients
  - corollary amendment to Form 1
- **Proposed IIROC 2016 CRM2 Amendments**
  - new requirement to provide annual performance report
  - new requirement to provide annual fee / charge report
  - new trade confirmation requirement to disclose deferred charges, where applicable
  - revised requirements on the timing of sending statements / reports to clients

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<sup>1</sup> This rule requirement will be renumbered to sub-clause 200.2(l)(vi)(C) once the 2015 and 2016 IIROC CRM2 Amendments become effective.



## Announcement of CSA approval and IIROC implementation of 2015 and 2016 IIROC CRM2 Amendments

This Rules Notice announces approval by the applicable securities regulatory authorities and implementation by IIROC of the 2015 and 2016 IIROC CRM2 Amendments. Listed below are the components and effective dates of these amendments:

- **IIROC 2015 CRM2 Amendments**

Amendment Item	Effective Date
<b>Client account statement</b>	
<ul style="list-style-type: none"> <li>• Sub-sections 200.1(a), 200.1(b) and 200.1(e) [Definitions of “book cost”, “cost” and “original cost”]</li> </ul>	July 15, 2015
<ul style="list-style-type: none"> <li>• Sub-section 200.1(c) [Definition of “market value” for the purposes of client reporting]</li> </ul>	July 15, 2015 [ <b>Note:</b> The setting of this effective date means that the revised “market value” definition must be used for client account position valuation and client account margining purposes from July 15, 2015 onwards.]
<ul style="list-style-type: none"> <li>• Sub-clause 200.2(d)(i)(A) [Inclusion of option for client to receive monthly statements]</li> </ul>	July 15, 2015
<ul style="list-style-type: none"> <li>• Sub-clauses 200.2(d)(ii)(F) and 200.2(d)(ii)(H) and revised “Guide to Interpretation of Rule 200.2”, Item (d) [Inclusion of position cost in quarterly client account statements]</li> </ul>	July 15, 2015 [ <b>Note:</b> The setting of this effective date means that position cost information must be included in all quarterly Retail Customer account statements issued for the period ending September 30, 2015 and on a quarterly basis thereafter]
<ul style="list-style-type: none"> <li>• Clause 200.2(d)(iii) [Inclusion of deferred sales charge notation in account statements]</li> </ul>	July 15, 2015 [ <b>Note:</b> The setting of this effective date means that this notation, where applicable, must be included in all monthly client account statements issued for the period ending July 31, 2015 and in each account statement issued thereafter]
<ul style="list-style-type: none"> <li>• Clauses 200.3(a)(i) and 200.3(b)(i) [Option of earlier date for position cost information]</li> </ul>	July 15, 2015
<b>Report on client positions held outside of the Dealer Member</b>	
<ul style="list-style-type: none"> <li>• Sub-sections 200.1(a), 200.1(b) and 200.1(e) [Definitions of “book cost”, “cost” and “original cost”]</li> </ul>	July 15, 2015
<ul style="list-style-type: none"> <li>• Sub-section 200.1(c) [Definition of “market value” for the purposes of client reporting]</li> </ul>	July 15, 2015 [ <b>Note:</b> The setting of this effective date means that the revised “market value” definition must be used for client account position valuation and client account margining purposes from July 15, 2015 onwards.]
<ul style="list-style-type: none"> <li>• Sub-section 200.2(e) and “Guide to Interpretation of Rule 200.2” Item (e) [Report on client positions held outside of the Dealer Member]</li> </ul>	July 15, 2015 [ <b>Note:</b> The setting of this effective date means that this quarterly report, where applicable, must be issued for the quarter ending September 30, 2015 and on a

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<b>Amendment Item</b>	<b>Effective Date</b>
<ul style="list-style-type: none"> <li>• Clauses 200.3(a)(ii) and 200.3(b)(i) [Option of earlier date for position cost information]</li> </ul>	quarterly basis thereafter] July 15, 2015
<b>Timing of sending statements / reports to clients - Part 1</b>	
<ul style="list-style-type: none"> <li>• Sub-sections 200.4(a) and 200.4(c) preamble and clause 200.4(c)(i) [Timing of sending documents to clients - report on client positions held outside of the Dealer Member to be sent within 10 days of sending account statement]</li> </ul>	July 15, 2015
<b>Corollary amendment to Form 1</b>	
<ul style="list-style-type: none"> <li>• Definition (g), General Notes and Definitions to Form 1 [Definition of “market value” for the purposes of regulatory reporting to IIROC]</li> </ul>	July 15, 2015 <b>[Note:</b> The setting of this effective date means that the revised “market value” definition must be used for capital adequacy assessment and regulatory reporting purposes from July 15, 2015 onwards]

- **IIROC 2016 CRM2 Amendments**

<b>Performance report</b>	
<ul style="list-style-type: none"> <li>• Subsection 200.1(f) [Definition of “total percentage return”]</li> </ul>	July 15, 2016
<ul style="list-style-type: none"> <li>• Subsection 200.2(f) and “Guide to Interpretation of Rule 200.2” Item (f) [Performance report]</li> </ul>	July 15, 2016 <b>[Note:</b> The setting of this effective date means that this annual report must be issued for the year ending no later than July 14, 2017 and annually thereafter; in the case of Dealer Members wishing to provide a calendar year reporting to their clients, a calendar year report must be issued for the year ending December 31, 2016 and annually thereafter]
<ul style="list-style-type: none"> <li>• Paragraphs 200.3(a)(iii), 200.3(a)(iv) and 200.3(b)(ii) [Option of earlier date for performance report information]</li> </ul>	July 15, 2016
<b>Fee / charge report</b>	
<ul style="list-style-type: none"> <li>• Subsections 200.1(d), 200.1(g) and 200.1(h) [Definitions of “operating charge”, “trailing commission” and “transaction charge”]</li> </ul>	July 15, 2016
<ul style="list-style-type: none"> <li>• Subsection 200.2(g) and “Guide to Interpretation of Rule 200.2” Item (g) [Fee / charge report]</li> </ul>	July 15, 2016 <b>[Note:</b> The setting of this effective date means that this annual report must be issued for the year ending no later than July 14, 2017 and annually thereafter; in the case of Dealer Members wishing to provide a calendar year reporting to their clients, a calendar year report must be issued for the year ending December 31, 2016 and annually thereafter]



<b>Trade confirmation requirement to disclose deferred charges</b>	
<ul style="list-style-type: none"><li>• Paragraph 200.2(l)(v) <i>[Trade confirmation disclosure of deferred charges]</i></li></ul>	July 15, 2016
<b>Timing of sending statements / reports to clients - Part 2</b>	
<ul style="list-style-type: none"><li>• Subsection 200.4(b) <i>[Timing of sending documents to clients - performance report and fee / charge report to be sent together]</i></li></ul>	July 15, 2016
<ul style="list-style-type: none"><li>• Paragraph 200.4(c)(ii) <i>[Timing of sending documents to clients - performance report and fee/charge report to be sent within 10 days of sending account statement]</i></li></ul>	July 15, 2016

## **Public commenter request to delay implementation dates of 2015 and 2016 IIROC CRM2 Amendments**

One of the comments received in response to IIROC’s request for public comments on the republication of the proposed 2015 and 2016 IIROC CRM2 Amendments, is that for client service, systems development, rule finalization delay and other reasons, IIROC should delay the implementation dates for the 2015 and 2016 IIROC CRM2 Amendments 5½ months to January 1, 2016 and January 1, 2017, respectively. This request is being considered by IIROC in consultation with the CSA. Once a decision is made on this request, IIROC will issue a separate notice to inform Dealer Members of the decision taken.

The remainder of this Rules Notice provides a summary of the nature and the purpose of the new provisions included in the 2015 and 2016 IIROC CRM2 Amendments for which implementation has been announced.

## **Summary of the nature and purpose of the amendments**

### **2015 Amendments**

#### **Client account statements**

*[Dealer Member Rule subsections 200.1(a), 200.1(b), 200.1(c) and 200.1(e), sub-clauses 200.2(d)(ii)(F) and 200.2(d)(ii)(H), clauses 200.2(d)(iii), 200.3(a)(i) and 200.3(a)(ii) and sub-section 200.3(b)]*

Three amendments have been introduced to the existing client account statement requirements as follows:

- The approach used to determine the “market value” of client account security positions has been revised by introducing a “market value” definition for the purposes of reporting to clients *[Dealer Member Rule subsection 200.1(c)]*;
- A new requirement to include a notation in the account statement identifying each security position that may be subject to a deferred sales charge has been introduced *[Dealer Member Rule clause 200.2(d)(iii)]*; and

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- A new requirement to provide Retail Customers with cost information for each account security position has been introduced [*Dealer Member Rule sub-clauses 200.2(d)(ii)(F) and 200.2(d)(ii)(H)*].

These revised / new requirements are consistent with the equivalent requirements introduced in sections 1.1, 14.11.1, and 14.14 of the CSA CRM2 Amendments, with the exception that there are differences in how IROC has defined the terms “book cost”, “market value” and “original cost”.

### **Report on client positions held outside of the Dealer Member**

[*Dealer Member Rule subsections 200.1(a), 200.1(b), 200.1(c), 200.1(e) and 200.2(e), clauses 200.3(a)(i) and 200.3(a)(ii) and sub-section 200.3(b)*]

A new report requirement has been introduced in Dealer Member Rule subsection 200.2(e) requiring separate reporting on Retail Customer on certain security positions held outside of a Dealer Member client account. The report will require the disclosure of the same information required to be disclosed for account positions in the account statement – specifically name and quantity of each security position, as well as market value and cost information for each security position and aggregate market value and cost information for all security positions. These revised / new requirements are consistent with the equivalent requirements introduced in sections 1.1, 14.11.1, and 14.14.1 of the CSA CRM2 Amendments, with the following exceptions:

- there are differences in how IROC has defined the terms “book cost”, “market value” and “original cost”; and
- the IROC requirements do not contemplate reporting on cash balances held outside of the Dealer Member by the client.

### **Timing of sending statements / reports to clients - Part 1**

[*Dealer Member Rule subsections 200.4(a) and 200.4(c) preamble and clause 200.4(c)(i)*]

Amended statement / report delivery requirements have been introduced in new Dealer Member Rule section 200.4 requiring, in addition to the previous requirement to promptly send statements / reports to clients, that the new “Report on client positions held outside of the Dealer Member” be sent to Retail Customers within 10 days after the related client account statement as at the same period ending date is sent to the client. These revised requirements are consistent with the equivalent requirements introduced in paragraph 14.14.1(4)(c) of the CSA CRM2 Amendments.

### **Corollary amendment to Form 1**

[*Form 1, General Notes and Definitions, Definition (g)*]

The existing definition of “market value” used for solvency reporting purposes has been amended to ensure that the same security position held in a client account and an inventory account are assigned the same value for both client reporting and Dealer Member solvency reporting purposes. The introduction of the “market value” definition for client reporting purposes and the use of the



same “market value” definition for solvency reporting purposes, ensures that the same valuation standard is used for:

- (1) client statement reporting to clients;
- (2) determining whether a client account is under-margined and, if so, the amount of margin that is required to be collected and/or provided; and
- (3) valuing and determining the amount of margin that must be provided for firm proprietary inventory positions

The CSA CRM2 Amendments contain no similar definition of “market value” to be used for the purposes of registrant financial solvency reporting. Rather, CSA registrants are to use the International Financial Reporting Standard (“IFRS”) “fair value” approach to value securities for solvency reporting purposes.

## **2016 Amendments**

### ***Performance report***

*[Dealer Member Rule sub-sections 200.1(f) and 200.2(f)]*

A new report requirement has been introduced in subsection 200.2(f) to require annual performance reporting to Retail Customers. The information to be included in the new report, for the periods from account inception to report date and for the last 12 months, is as follows:

- total combined market value of cash and securities at the beginning of the period;
- total combined market value of all deposits and transfers in of cash and security positions;
- total combined market value of all withdrawals and transfers out of cash and security positions;
- total combined market value of cash and securities at the end of the period; and
- total combined change in market value for the period of all cash and security positions.

In addition, percentage return information for the most recent 1, 3, 5 and 10 years periods and for the period from account inception will also have to be included in the performance report as the information becomes available (i.e. the percentage return information requirements will be implemented prospectively).

This report requirement is consistent with the equivalent requirements introduced in sections 1.1, 14.11.1, 14.18 and 14.19 of the CSA CRM2 Amendments, with the following exceptions:

- there are differences in how IIROC has defined the term “market value”; and
- the IIROC requirements require the preparation of a consolidated performance report that covers the same accounts as any consolidated fee / charge report that is prepared for the client.

### ***Fee / charge report***

*[Dealer Member Rule sub-sections 200.1(d), 200.1(g) and 200.1(h) and 200.2(g)]*

A new report requirement has been introduced in subsection 200.2(g) to require annual fee / charge reporting to Retail Customers. The information to be included in the report, for the 12 months covered by the report is as follows:

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- a discussion of the operating charges which might be applicable to the client's account;
- total amount of each type of operating charge;
- aggregate total amount of all operating charges;
- aggregate total amount of all transaction charges;
- aggregate total amount of all operating and transaction charges; and
- specific disclosures relating to debt security trade compensation taken, trailing commissions earned and other third party compensation earned during the year.

This report requirement is consistent with the equivalent requirements introduced in sections 1.1 and 14.17 of the CSA CRM2 Amendments, with the following exceptions:

- the IIROC requirements do not require that an annual fee / charge report be sent to the client if no fees or charges were paid by the client, either directly or indirectly, during the year; and
- the IIROC requirements require the preparation of a consolidated performance report that covers the same accounts as any consolidated fee / charge report that is prepared for the client.

#### **Trade confirmation requirement to disclose deferred charges**

*[Dealer Member Rule sub-clause 200.2(l)(v)(A)]*

Pursuant to the language in new sub-clause 200.2(l)(v)(A), the prior IIROC requirement to provide compensation-related information on certain trade confirmations<sup>2</sup> issued to Retail Customers will be revised to disclosure of each trade-related charge on the trade confirmation, including any deferred sales charges levied. The previous requirement limited trade-related charge disclosure to trade-related commissions.

This revised requirement is consistent with the equivalent requirement introduced in paragraph 14.12(1)(c) of the CSA CRM2 Amendments, with the exception that the revised IIROC requirement will only apply to Retail Customer trades.

#### **Timing of sending statements / reports to clients - Part 2**

*[Dealer Member Rule subsection 200.4(b) and clause 200.4(c)(ii)]*

Further amendments to the statement / report delivery requirements have been introduced in new Dealer Member Rule section 200.4 requiring, in addition<sup>3</sup> to the previous discussed amendments<sup>3</sup>, that:

- the new "Performance report" and "Fee / charge report" be sent to Retail Customers together *[Dealer Member Rule subsection 200.4(b)]*; and

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<sup>2</sup> Applies to confirmations issued for trades other than trades in debt securities and other over the counter traded securities. Refer to Dealer Member Rule clause 200.2(l)(vi) for trade confirmation charge disclosure requirements for trades in debt securities. Refer to Dealer Member Rule clause 200.2(l)(vi) for trade confirmation charge disclosure requirements for trades in other over the counter traded securities.

<sup>3</sup> Amendments to the statement / report delivery requirements are being introduced on both July 15, 2015 and July 15, 2016. The amendments that are effective July 15, 2015 are discussed above in the section entitled "Timing of sending statements / reports to clients - Part 1".





- the new “Performance report” and “Fee / charge report” be sent to Retail Customers within 10 days after the related client account statement as at the same period ending date is sent to the client. [Dealer Member Rule subsection 200.4(c)].

These revised requirements are consistent with the equivalent requirements introduced in subsection 14.20(1) of the CSA CRM2 Amendments.

### **IIROC to consider exemption requests**

As previously discussed in IIROC Rule Notice 14-0214, to ensure that the introduction of the new “Report on client positions held outside of the Dealer Member” does not result in Dealer Members having to build a new capability to report on off-book positions to an immaterial number of clients and/or to report on an immaterial dollar amount of off-book client positions, IIROC will consider exemption requests from Dealer Members who can demonstrate that the costs of building and administering this new client reporting capability significantly outweigh the benefits to the client of also receiving off-book position information from their “dealer of record”<sup>4</sup>. In considering each exemption request, IIROC will need to be satisfied that the Dealer Member:

- has made a good faith effort to convert off-book client name positions into on-book nominee name positions;
- does not maintain material number or amount of off-book client named positions;
- is not promoting, or otherwise actively making available, the option of holding client-named positions off-book<sup>5</sup>; and
- does not receive any ongoing compensation on the off-book client named positions.

### **Date of IIROC Board of Directors approval**

These amendments were approved for implementation by the IIROC Board of Directors on September 10, 2014. The text of the amendments is set out in Attachment A. A black-line copy of Dealer Member Rule 200 and Definition (g) of the General Notes and Definitions to Form 1, detailing the revisions that are being made to the current rules, is set out in Attachment B.

### **Response to public comments received**

These amendments were last published for comment with the issuance of IIROC Rules Notice 14-0214 on September 18, 2014. IIROC has considered all of the comments received and thank all of the commenters. A summary of the comments received and IIROC’s response is enclosed as Attachment C.

### **Summary of revisions**

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<sup>4</sup> In the case of off-book client named mutual fund positions, clients already receive annual position information from the investment fund manager for the mutual fund.

<sup>5</sup> Exceptions will be made under certain circumstances for certain accounts such as Registered Education Savings Plans (RESPs) and Registered Disability Savings Plans (RDSPs) where some client positions may only be held in client name.



These amendments reflect revisions made to address CSA staff and public comments received. There were no material revisions made to the last published proposed rules. Minor clarification changes have also been made throughout the amendments, none of which represent changes in substance to the previously published proposals that were scheduled to come into effect on either July 15, 2015 or July 15, 2016.

**Attachments**

- Attachment A - 2015 and 2016 IIROC CRM2 Amendments
- Attachment B - Black-line detailing revisions to current rules that result for implementation of the 2015 and 2016 IIROC CRM2 Amendments
- Attachment C - Response to public comments received

**INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA**

**PERFORMANCE REPORTING AND FEE / CHARGE DISCLOSURE  
AMENDMENTS TO DEALER MEMBER RULE 200 AND FORM 1**

**2015 AND 2016 IIROC CRM2 AMENDMENTS**

1. Dealer Member Rule 200 is repealed and replaced by the following:

**“RULE 200  
MINIMUM RECORDS**

200.1. For the purposes of this Rule 200:

- (a) “book cost” means:
  - (i) In the case a long security position, the total amount paid for the security, including any transaction charges related to the purchase, adjusted for reinvested distributions, returns of capital and corporate actions; or
  - (ii) In the case of a short security position, the total amount received for the security, net of any transaction charges related to the sale, adjusted for any distributions (other than dividends), returns of capital and corporate actions.
- (b) “cost” means for each security position in the account and each security position subject to the additional reporting obligation under subsection 200.2(e):
  - (i) On or after July 15, 2015:
    - (A) Either “book cost” or “original cost”, determined as at the end of the applicable period, provided that only one cost calculation methodology, either “book cost” or “original cost”, is used for all positions; or
    - (B) In the case of security positions that are transferred in, either:
      - (I) The amount determined in sub-clause 200.1(b)(i)(A); or
      - (II) The market value of the security position as at the date of transfer, provided that the following notification or a notification that is substantially similar identifies each security position where market value has been used is included in the statement or report:

“Market value information has been used to estimate part or all of the [book cost/original cost] of this security position.”
  - (ii) Before July 15, 2015:
    - (A) Either “book cost” or “original cost”, determined as at the end of the applicable period, provided that only one cost calculation

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methodology, either “book cost” or “original cost”, is used for all positions; or

- (B) The market value of the security position as at July 15, 2015 or an earlier date, provided that the following notification or a notification that is substantially similar identifies each security position where market value has been used is included in the statement or report:
  - “Market value information as at [July 15, 2015 or earlier date] has been used to estimate part or all of the [book cost/original cost] of this security position.”
- (iii) Where the Dealer Member reasonably believes it cannot determine the cost in accordance with paragraph 200.1(b)(i) and sub-clause 200.1(b)(ii)(B), the following notification or a notification that is substantially similar:
  - “The [book cost/original cost] of this security position cannot be determined.”
- (c) “market value” of a security means:
  - (i) For securities, precious metals bullion and commodity futures contracts quoted on an active market, the published price quotation using:
    - (A) For listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on a consolidated pricing list or exchange quotation sheet as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be;
    - (B) For unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date;
    - (C) For all other unlisted securities (including unlisted debt securities) and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of debt securities, based on a reasonable yield rate;
    - (D) For commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date;
    - (E) For money market fixed date repurchases (no borrower call feature), the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date;
    - (F) For money market open repurchases (no borrower call feature), the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value is to be determined as in (E) and the commitment price is to be determined in

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the same manner using the yield stated in the repurchase commitment;  
and

(G) For money market repurchases with borrower call features, the  
borrower call price

and after making any adjustments considered by the Dealer Member to be  
necessary to accurately reflect the market value,

(ii) Where a reliable price for the security, precious metals bullion or commodity  
futures contract cannot be determined:

(A) The value determined by using a valuation technique that includes  
inputs other than published price quotations that are observable for  
the security, either directly or indirectly; or

(B) Where no observable market data-related inputs are available, the value  
determined by using unobservable inputs and assumptions; or

(C) Where insufficient recent information is available and/or there is a wide  
range of possible values and cost represents the best value estimate  
within that range, cost

and the Dealer Member must include the following notification or a  
notification that is substantially similar:

“There is no active market for this security so we have estimated its  
market value.”

(iii) Where a value cannot be reliably determined under clauses 200.1(c)(i) and  
200.1(c)(ii) above no value shall be reported and the Dealer Member must  
include the following notification or a notification that is substantially  
similar:

“Market value not determinable.”

(d) “operating charge” means any amount charged to a client by a Dealer Member  
in respect of the operation, transfer or termination of a client’s account and  
includes any taxes paid on that amount;

(e) “original cost” means:

(i) In the case of a long security position, the total amount paid for the security,  
including any transaction charges related to the purchase; or

(ii) In the case of a short security position, the total amount received for the  
security, net of any transaction charges related to the sale.

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

(g) “trailing commission” means any payment related to a client’s ownership of a  
security that is part of a continuing series of payments to a Dealer Member by  
any party;

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- (h) “transaction charge” means any amount charged to a client by a Dealer Member in respect of a purchase or sale of a security and includes any taxes paid on that amount;

200.2. As required under Rule 17.2 every Dealer Member shall make and keep current books and records necessary to record properly its business transactions and financial charts including, without limitation:

(a) **Trade blotters**

Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all trades in commodity futures contracts and commodity futures contract options, all receipts and disbursements of cash and all other debits and credits. Such records shall show the account for which each such transaction was effected, the trade dates and

- (i) In the case of trades in securities:
  - (A) The name, class and designation of securities;
  - (B) The number, value or amount of securities and the unit and aggregate purchase or sale price (if any); and
  - (C) The name or other designation of the person from whom the securities were purchased or received or to whom they were sold or delivered.

And

- (ii) In the case of trades in commodity futures contracts:
  - (A) The commodity and quantity bought or sold;
  - (B) The delivery month and year;
  - (C) The price at which the contract was entered into;
  - (D) The commodity futures exchange; and
  - (E) The name of the dealer if any, used by the Dealer Member as its agent to effect the trade.

And

- (iii) In the case of trades in commodity futures contract options:
  - (A) The type and number;
  - (B) The premium;
  - (C) The commodity futures contract that is the subject of the commodity futures contract option;
  - (D) The delivery month and year of the commodity futures contract that is the subject of the commodity futures option;
  - (E) The declaration date;
  - (F) The striking price;
  - (G) The commodity futures exchange; and

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- (H) The name of the dealer, if any, used by the Dealer Member as its agent to effect the trade.
- (b) **General ledger of accounts**

A general ledger (or other records) maintained in detail reflecting all assets and liabilities, income and expense and capital accounts.
- (c) **Itemized client ledger accounts**

Ledger accounts (or other records) itemizing separately as to each cash and margin account of every client, all purchases, sales, receipts, deliveries and other trades of securities, commodity futures contracts and commodity futures contract options for such account and all other debits and credits to such account, and

  - (i) With respect to all securities and property received to margin, guarantee or secure the trades or contracts of clients:
    - (A) A description of the securities or property received;
    - (B) The date when received;
    - (C) The identity of any deposit institution where such securities or property are segregated;
    - (D) The dates of deposit and withdrawal from such institutions; and
    - (E) The date of return of such securities or property to the client or other disposition thereof, together with the facts and circumstances of such other disposition.

And

  - (ii) With respect to any investments of such money, proceeds or funds segregated for the benefit of the clients:
    - (A) The date of which such investments were made;
    - (B) The identity of the person or company through or from whom such securities were purchased;
    - (C) The amount invested;
    - (D) A description of the securities invested in;
    - (E) The identity of the deposit institution, other dealer or dealer registered under any applicable securities legislation where such securities are deposited;
    - (F) The date of liquidation or other disposition and the money received on such disposition; and
    - (G) The identity of the person or company to or through whom such securities were disposed.
- (d) **Client account statements**
  - (i) A Dealer Member must send:
    - (A) A monthly client account statement to each client who:

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- (I) Requests to receive a client account statement on a monthly basis;  
or
  - (II) At the end of the month has:
    - (a) Had a transaction during the month;
    - (b) Has experienced a cash or security modification, other than dividend or interest payments;
    - (c) An unexpired and unexercised futures contract option position; or
    - (d) An open futures contract, or exchange contract position in their account.
- (B) A quarterly client account statement to each client who, at the end of the quarter has:
- (I) A debit or credit balance; or
  - (II) One or more security positions (including securities held in safekeeping or in segregation)  
in their account.

And

- (ii) The statement must include all of the following information about the client's account at the end of the period for which the statement is made:
  - (A) The opening cash balance in the account;
  - (B) All deposits, credits, withdrawals and debits made to the account;
  - (C) The closing cash balance in the account;
  - (D) The name and quantity of each security position in the account;
  - (E) For each security position in the account:
    - (I) Where the market value is determinable:
      - (a) The market value;
      - (b) The total market value; and
      - (c) If applicable, the notification required pursuant to clause 200.1(c)(ii);
    - (II) Where the market value is not determinable, the notification required pursuant to clause 200.1(c)(iii);
  - (F) Where the client is a Retail Customer and the statement is a quarterly statement, the statement must also include:
    - (I) For each security position in the account:
      - (a) Where the cost is determinable, either the cost or the total cost; and
      - (b) Where the cost is not determinable, the notification required pursuant to clause 200.1(b)(iii).



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And

- (II) A notation setting out the definitions of the calculation methodologies used to calculate the individual position cost information included in the statement, provided that where the individual position cost information included in the statement is calculated using:
  - (a) The “book cost” calculation methodology, the definition language set out in subsection 200.1(a) or language that is substantially similar must be used as the notation; and
  - (b) The “original cost” calculation methodology, the definition language set out in subsection 200.1(e) or language that is substantially similar must be used as the notation;
- (G) The total market value of all cash and security positions in the account; and
- (H) Where the client is a Retail Customer and the statement is a quarterly statement, the total cost of all cash and security positions in the account.

And

- (iii) In the case of clients with any security positions which might be subject to a deferred sales charge if they are sold, a notation identifying each security position that might be subject to a deferred sales charge.

And

- (iv) In the case of clients with any unexpired and unexercised commodity futures contract options, open commodity futures contracts, or exchange contracts, the statement must include at least all of the following information:
  - (A) Each unexpired and unexercised commodity futures contract option,
  - (B) The striking price of each unexpired and unexercised commodity futures contract option,
  - (C) Each open commodity futures contract,
  - (D) The price at which each open commodity futures contract was entered into.

And

- (v) In the case where a Dealer Member has acted as an agent in connection with a liquidating trade in a commodity futures contract, the monthly statement must include at least all of the following information:
  - (A) The dates of the initial transaction and liquidating trade,
  - (B) The commodity and quantity bought and sold,

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- (C) The commodity futures exchange upon which the contracts were traded,
- (D) The delivery month and year,
- (E) The prices on the initial transaction and on the liquidating trade,
- (F) The gross profit or loss on the transactions,
- (G) The commission, and
- (H) The net profit or loss on the transactions.

And

- (vi) In the case of transactions involving securities of the Dealer Member or a related issuer of the Dealer Member, or in the course of a distribution to the public, securities of a connected issuer of the Dealer Member, the monthly statement must state that the securities are securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be. For the purposes of this clause, the terms “related issuer” and “connected issuer” shall have the same meaning as ascribed to them in the Regulation made under the Securities Act (Ontario).

**(e) Report on client positions held outside of the Dealer Member**

- (i) A Dealer Member must send a quarterly Report on client positions held outside of the Dealer Member (referred to as “outside holdings” in this rule) to each Retail Customer who, at the end of the quarter holds outside of the Dealer Member, either in book-based client name or physical client name, one or more security positions:
  - (A) On which the Dealer Member receives continuing compensation payments related to the client’s ownership of the security from the issuer of the security, the investment fund manager of the issuer or any other party: and/or
  - (B) In securities issued by a scholarship plan, a mutual fund or an investment fund that is a labour-sponsored investment fund corporation, or labour-sponsored venture capital corporation, under legislation of a jurisdiction of Canada and the dealer or adviser is the dealer or adviser of record for the client on the records of the issuer of the security or the records of the issuer’s investment fund manager.

And

- (ii) The report must include all of the following information about the client’s outside holdings at the end of the period for which the report is made:
  - (A) The name and quantity of each security position;
  - (B) For each security position:
    - (l) Where the market value is determinable:

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- (a) The market value;
  - (b) The total market value; and
  - (c) If applicable, the notification required pursuant to clause 200.1(c)(ii);
- (II) Where the market value is not determinable, the notification required pursuant to clause 200.1(c)(iii);
- (C) The report must also include:
- (I) For each security position:
    - (a) Where the cost is determinable, either the cost or the total cost; and
    - (b) Where the cost is not determinable, the notification required pursuant to clause 200.1(b)(iii);

And

- (II) A notation setting out the definitions of the calculation methodologies used to calculate the individual position cost information included in the statement, provided that where the individual position cost information included in the statement is calculated using:
- (a) The “book cost” calculation methodology, the definition language set out in subsection 200.1(a) or language that is substantially similar must be used as the notation; and
  - (b) The “original cost” calculation methodology, the definition language set out in subsection 200.1(e) or language that is substantially similar must be used as the notation;
- (D) The total market value of all security positions;
- (E) The total cost of all security positions; and
- (F) The name of the party that holds or controls each security position and a description of the way it is held.

And

- (iii) In the case of clients with any outside holdings which might be subject to a deferred sales charge if they are sold, a notation identifying each security position that might be subject to a deferred sales charge.

And

- (iv) The report must indicate:
- (A) That the client’s outside holdings are not covered by the Canadian Investor Protection Fund; and
  - (B) Whether the securities are covered under any other investor protection fund approved or recognized by a Canadian securities regulatory authority and, if they are, the name of the fund.

**(f) Performance report**

(i) A Dealer Member must send an annual performance report to each Retail Customer who, at the end of the 12-month period covered by the report has:

(A) An account with:

(I) A debit or credit balance; or

(II) One or more security positions (including securities held in safekeeping or in segregation).

And/or

(B) Holds one or more security positions outside of the Dealer Member for which quarterly reporting pursuant to subsection 200.2(e) is required.

And

(C) There is at least one security, in the account or held outside of the Dealer Member for which quarterly reporting pursuant to subsection 200.2(e) is required, for which a market value can be determined pursuant to either clause 200.1(c)(i) or 200.1(c)(ii).

And

(D) The client's account was opened at least 12 months ago.

(ii) The annual performance report must include all of the following combined information about the client's account and outside holdings at the end of the period for which the report is made:

(A) The total combined market value of all cash and security positions:

(I) As at July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, as at the account opening date;

(II) As at the beginning date of the 12-month period covered by the report; and

(III) As at the end date of the report;

(B) The total combined market value of all deposits and transfers in of cash and security positions:

(I) In the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date, to the end date of the report; and

(II) In the 12-month period covered by the report;

(C) The total combined market value of all withdrawals and transfers out of cash and security positions:

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- (I) In the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report; and
- (II) In the 12-month period covered by the report;
- (D) The total combined change in market value of all cash and security positions:
  - (I) For the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report, determined using the following formula:  
Total market value change from account opening  
= Closing market value  
*[Paragraph 200.2(f)(ii)(A)(III)]*  
- Account opening market value  
*[Paragraph 200.2(f)(ii)(A)(I)]*  
- Deposits and transfers in  
*[Paragraph 200.2(f)(ii)(B)(I)]*  
+ Withdrawals and transfers out  
*[Paragraph 200.2(f)(ii)(C)(I)]*
  - (II) For the 12-month period covered by the report, determined using the following formula:  
Total 12-month market value change  
= Closing market value  
*[Paragraph 200.2(f)(ii)(A)(III)]*  
- Account opening market value  
*[Paragraph 200.2(f)(ii)(A)(II)]*  
- Deposits and transfers in  
*[Paragraph 200.2(f)(ii)(B)(II)]*  
+ Withdrawals and transfers out  
*[Paragraph 200.2(f)(ii)(C)(II)]*
- (E) The amount of the annualized total percentage return calculated net of charges using a money-weighted rate of return calculation methodology generally accepted in the securities industry for the following periods:
  - (I) The 12-month period covered by the report;
  - (II) The 3-year period preceding the end date of the report;
  - (III) The 5-year period preceding the end date of the report;
  - (IV) The 10-year period preceding the end date of the report; and

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- (V) The period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report; provided that if any portion of a period referred to in paragraphs 200.2(f)(ii)(E)(II), 200.2(f)(ii)(E)(III) and 200.2(f)(ii)(E)(IV) is before July 15, 2015, the Dealer Member is not required to report the annualized total percentage return for that period.
- (F) The definition of “total percentage return” as set out in subsection 200.1(f) and a notification indicating the following:
  - (I) The total percentage return presented in the performance report was calculated net of fees / charges;
  - (II) The calculation method used;
  - (III) A general explanation in plain language of what the calculation method takes into account.
- (iii) The combined information required to be provided under 200.2(f)(ii) must be presented using text, tables and charts, and must be accompanied by notes in the performance report explaining:
  - (A) The content of the report and how a client can use the information to assess the performance of the client’s investments; and
  - (B) The changing value of the client’s investments as reflected in the information in the report.
- (iv) The Dealer Member must send a performance report to a client every 12 months, except that the first performance report sent after a Dealer Member opens an account for a client may be sent within 24 months.
- (v) For the purposes of this subsection 200.2(f), the information in respect of securities of a client required to be reported under subsection 200.2(d) [*Client account statements*] must be provided in a separate report for each of the client’s accounts.
- (vi) For the purposes of this subsection 200.2(f), the information in respect of securities of a client required to be reported under subsection 200.2(e) [*Report on client positions held outside of the Dealer Member*] must be included in the report for each of the client’s accounts through which the securities were transacted.
- (vii) Clauses 200.2(f)(v) and 200.2(f)(vi) do not apply if the Dealer Member sends a single report to the client that consolidates the required information for more than one of a client’s accounts and any securities of a client required to be reported under subsection 200.2(e) [*Report on client positions held outside of the Dealer Member*] provided:

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- (A) The client has consented in writing to receiving a consolidated report;  
and
  - (B) The report that is sent specifies the accounts and securities for which the consolidated information is being provided.
- (viii) All annual performance reports that are sent to a client, whether prepared for an individual account or prepared on a consolidated account basis pursuant to clause 200.2(f)(vii), must:
- (A) Be prepared for the same 12-month period; and
  - (B) Include aggregated information for the same accounts and securities; as the annual fee/charge reports that are sent to the same client.
- (g) **Fee / charge report**
- (i) A Dealer Member must send a fee / charge report to each Retail Customer who, at the end of the 12-month period covered by the report or a shorter period in the case of the first report delivered after a client has opened an account, has:
    - (A) An account.  
And/or
    - (B) Holds one or more security positions outside of the Dealer Member for which quarterly reporting pursuant to subsection 200.2(e) is required.  
And
    - (C) Paid a fee, charge or other payment, including payments referred to in sub-clauses 200.2(g)(ii)(H) and 200.2(g)(ii)(I), either directly or indirectly, to the Dealer Member or any of its registered individuals during the period covered by the report.
  - (ii) The annual fee/charge report must include all of the following combined information about the client's account and outside holdings at the end of the period for which the report is made:
    - (A) A discussion of the 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;
    - (C) The aggregate total amount of all operating charges related to the client's account paid by the client during the period covered by the report;
    - (D) 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;

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- (E) The aggregate total amount of all transaction charges related to the client's account paid by the client during the period covered by the report;
- (F) The aggregate total amount of all charges reported under sub-clauses 200.2(g)(ii)(C) and 200.2(g)(ii)(E);
- (G) If the Dealer Member purchased or sold debt securities for the client during the period of the report, either of the following:
  - (I) The total amount of any mark-ups, mark-downs, commissions or other fees or charges the Dealer Member applied on the purchases or sales of debt securities;
  - (II) The total amount of any commissions charged to the client by the Dealer Member on the purchases or sales of debt securities and, if the Dealer Member applied mark-ups, mark-downs or other fees or 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 your received (in the case of a sale). This amount was in addition to any commissions you were charged.”;
- (H) The total amount of each type of payment, other than trailing commissions, that is made to the Dealer Member or any of its registered individuals by a securities issuer or another registrant in relation to registerable services provided to the client during the period covered by the report, accompanied by an explanation of each type of payment; and
- (I) If the Dealer Member received trailing commissions related to securities owned by the client during the period covered by the report, the following notification or a notification that is substantially similar:

“We received \$[amount] in trailing commissions in respect of securities you owned during the 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



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fund's return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund."

- (iii) For the purposes of this subsection 200.2(g), the information in respect of securities of a client required to be reported under subsection 200.2(d) [*Client account statements*] must be provided in a separate report for each of the client's accounts.
  - (iv) For the purposes of this subsection 200.2(g), the information in respect of securities of a client required to be reported under subsection 200.2(e) [*Report on client positions held outside of the Dealer Member*] must be included in the report for each of the client's accounts through which the securities were transacted.
  - (v) Clauses 200.2(g)(iii) and 200.2(g)(iv) do not apply if the Dealer Member sends a single report to the client that consolidates the required information for more than one of a client's accounts and any securities of a client required to be reported under subsection 200.2(e) [*Report on client positions held outside of the Dealer Member*] provided:
    - (A) The client has consented in writing to receiving a consolidated report; and
    - (B) The report that is sent specifies the accounts and securities for which the consolidated information is being provided.
  - (vi) All annual fee/charge reports that are sent to a client, whether prepared for an individual account or prepared on a consolidated account basis pursuant to clause 200.2(g)(v), must:
    - (A) Be prepared for the same 12-month period; and
    - (B) Include aggregated information for the same accounts and securities; as the annual performance reports that are sent to the same client.
- (h) **Secondary or subsidiary records**
- Ledgers (or other records) reflecting the following:
- (i) Securities in transfer;
  - (ii) Dividends and interest received;
  - (iii) Securities borrowed and securities loaned;
  - (iv) Monies borrowed and monies loaned (together with a record of the collateral therefor and any substitutions in such collateral);
  - (v) Securities failed to receive and failed to deliver;
  - (vi) Money, securities and property received to margin, guarantee or secure the trades or contracts of clients, and all funds accruing to clients, which must be segregated for the benefit of clients under any applicable legislation;

(i) **Securities record**

A securities record or ledger reflecting separately for each security as of the trade or settlement dates all long and short positions (including securities in safekeeping) carried for the Dealer Member's account or for the account of clients, showing the location of all securities long and the offsetting position to all securities short and in all cases the name or designation of the account in which each position is carried;

(j) **Commodity record**

A commodity record or ledger showing separately for each commodity as of the trade date all long positions or short positions in commodity futures contracts carried for the Dealer Member's account or for the account of clients and, in all cases, the name or designation of the account in which each position is carried;

(k) **Memoranda of orders**

An adequate record of each order, and of any other instruction, given or received for the purchase or sale of securities or with respect to a trade in a commodity futures contract or a commodity futures contract option, whether executed or unexecuted, showing:

- (i) The terms and conditions of the order or instruction and of any modification or cancellation thereof;
- (ii) The account to which the order or instruction relates;
- (iii) The time of entry of the order or instruction and, where the order is entered pursuant to the exercise of discretionary power of a Dealer Member, a statement to that effect;
- (iv) Where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed, and the allocation among the component accounts intended on execution;
- (v) Where the order or instruction is placed by an individual other than:
  - (A) The person in whose name the account is operated; or
  - (B) An individual duly authorized to place orders or instructions on behalf of a client that is a company  
the name, sales number or designation of the individual placing the order or instruction;
- (vi) To the extent feasible, the time of execution or cancellation;
- (vii) The price at which the order or instruction was executed; and
- (viii) The time of report of execution.

(l) **Trade confirmations**

Copies of confirmations of all purchases and sales of securities and of all trades in commodity futures contracts and commodity futures contract options and copies

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of notices of all other debits and credits of money, securities, property, proceeds of loans and other items for the account of clients. Such written confirmations are required to be sent promptly to clients and shall set forth at least the day and the marketplace or marketplaces upon which the trade took place, or marketplace disclosure language acceptable to the Corporation; the fee or other charge, if any, levied by any securities regulatory authority in connection with the trade; the name of the salesman, if any, involved in the transaction; the name of the dealer, if any, used by the Dealer Member as its agent to effect the trade, the settlement date of the trade;

And,

- (i) In the case of trades in securities:
  - (A) The quantity and description of the security;
  - (B) The consideration;
  - (C) Whether or not the person or company that executed the trade acted as principal or agent;
  - (D) If acting as agent in a trade upon a stock exchange the name of the person or company from or to or through whom the security was bought or sold.

And

- (ii) In the case of trades in commodity futures contracts:
  - (A) The commodity and quantity bought or sold;
  - (B) The price at which the contract was entered into; and
  - (C) The delivery month and year.

And

- (iii) In the case of trades in commodity futures contract options:
  - (A) The type and number of commodity futures contract options;
  - (B) The premium;
  - (C) The delivery month and year of the commodity futures contract that is the subject of the commodity futures contract option;
  - (D) The declaration date; and
  - (E) The striking price.

And

- (iv) In the case of trades in mortgage-backed securities, and subject to the proviso below:
  - (A) The original principal amount of the trade;
  - (B) The description of the security (including interest rate and maturity date);
  - (C) The remaining principal amount (RPA) factor;

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- (D) The purchase/sale price per \$100 of original principal amount;
- (E) The accrued interest;
- (F) The total settlement amount; and
- (G) The settlement date

provided that in the case of trades entered into from the third clearing day before month end to the fourth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in sub-clauses 200.2(l)(iv)(A), (B), (D) and (G) and indicating that the information in sub-clauses 200.2(l)(iv)(C), (E) and (F) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required above.

And

- (v) In the case of confirmations other than confirmations relating to trades involving debt securities and other over the counter traded securities:
  - (A) Where the confirmation is sent to a Retail Customer:
    - (I) The amount of each transaction charge, deferred sales charge or other charge in respect of the transaction; and
    - (II) The total amount of all charges in respect of the transaction.
  - (B) Where the confirmation is sent to an Institutional Customer:
    - (I) The commission, if any, charged in respect of the transaction.

And

- (vi) In the case of debt securities:
  - (A) In the case of a purchase, where the debt security is a stripped coupon or a residual debt instrument:
    - (I) The yield thereon calculated on a semi-annual basis in a manner consistent with the yield calculation for the debt instrument which has been stripped; and
    - (II) The yield thereon calculated on an annual basis in a manner consistent with the yield calculation for other debt securities which are commonly regarded as being competitive in the market with such coupons or residuals such as guaranteed investment certificates, bank deposit receipts and other indebtedness for which the term and interest rate is fixed.
  - (B) In the case of a purchase, where the debt security is neither a stripped coupon nor a residual debt instrument:

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- (I) The yield to maturity calculated in a manner consistent with market conventions for the security traded;
  - (II) Where the debt security is subject to call prior to maturity through any means, the notation of “callable” must be included; and
  - (III) Where the debt security has a variable coupon rate, the notation “The coupon rate may vary.” must be included.
- (C) Where the debt security trade is not a primary market transaction and the trade confirmation is being sent to a Retail Customer, either of the following:
- (I) The total amount of any mark-up or mark-down, commission or other service charges the Dealer Member applied to the transaction; or
  - (II) The total amount of any commission charged to the client by the Dealer Member and, if the Dealer Member applied a mark-up or mark-down or any service charge other than a commission, the following notification or a notification that is substantially similar:  
“Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale). This amount was in addition to any commission this trade confirmation shows was charged to you.”

And

- (vii) In the case of all over-the-counter traded securities other than debt securities, including contracts for difference and foreign exchange contracts, but excluding primary market transactions and over-the-counter derivatives with non-standardized contract terms that are customized to the needs of a particular client and for which there is no secondary market, and the trade confirmation is being sent to a Retail Customer, either of the following:
- (A) The total amount of any mark-up or mark-down, commission or other service charges the Dealer Member applied to the transaction;
  - (B) The following notification or a notification that is substantially similar:  
“Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale).”

And

- (viii) In the case of transactions involving securities of the Dealer Member or a related issuer of the Dealer Member, or in the course of a distribution to the public, securities of a connected issuer of the Dealer Member, such trade confirmation shall state that the securities are securities of the Dealer

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Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be. For the purposes of this clause, the terms “related issuer” and “connected issuer” shall have the same meaning as ascribed to them in the Regulation made under the Securities Act (Ontario).

And

- (ix) In the case of a Dealer Member controlled by or affiliated with a financial institution, the relationship between the Dealer Member and the financial institution shall be disclosed on each trade confirmation issued in connection with a trade in securities of a mutual fund sponsored by the financial institution or a corporation controlled by or affiliated with the financial institution.

And

- (x) Notwithstanding the provisions of this subsection 200.2(l), a Dealer Member shall not be required to provide a confirmation to a client in respect of a trade:
  - (A) In a managed account, provided that:
    - (I) Prior to the trade, the client has consented in writing to waive the trade confirmation requirement;
    - (II) The client may terminate a waiver by notice in writing. The termination notice shall be effective upon receipt of the written notice by the Dealer Member, for trades following the date of receipt;
    - (III) The provision of a confirmation is not required under any applicable securities law, regulation or policy of the jurisdiction in which the client resides or the Dealer Member has obtained an exemption from any such law, regulation or policy by the responsible securities regulatory authority; and
    - (IV) Where:
      - (a) A person other than the Dealer Member manages the account
        - (i) A trade confirmation has been sent to the manager of the account, and
        - (ii) The Dealer Member complies with the requirements of subsection 200.2(d); or
      - (b) The Dealer Member manages the account:
        - (i) The account is not charged any commissions or fees based on the volume or value of transactions in the account;

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- (ii) The Dealer Member sends to the client a monthly statement that is in compliance with subsection 200.2(d) and contains all of the information required to be contained in a confirmation under this subsection 200.2(l) except:
    - (A) The day and the marketplace or marketplaces upon which the trade took place, or marketplace disclosure language acceptable to the Corporation;
    - (B) The fee or other charge, if any, levied by any securities regulatory authority in connection with the trade;
    - (C) The name of the salesman, if any, in the transaction;
    - (D) The name of the dealer, if any, used by the Dealer Member as its agent to effect the trade; and,
    - (E) If acting as agent in a trade upon a stock exchange the name of the person or company from or to or through whom the security was bought or sold,
  - (iii) The Dealer Member maintains the information not required to be in the monthly statement pursuant to subparagraph 200.2(l)(x)(A)(iv)(b)(ii) and discloses to the client on the monthly statement that such information will be provided to the client on request.
- (B) In delivery against payment (DAP) and receipt against payment (RAP) trade accounts, provided that:
- (I) The trade is either subject to or matched in accordance with broker-to-broker or institutional trade matching requirements under *the Corporation's* Rules or securities legislation;
  - (II) The *Dealer Member* maintains an electronic audit trail of the trade under *the Corporation's* Rules or securities legislation;
  - (III) Prior to the trade, the client has agreed in writing to waive receipt of trade confirmations from the *Dealer Member*;
  - (IV) The client is either:
    - (a) another Dealer Member who is reporting or affirming trade details through an acceptable trade matching utility in accordance with section 800.49; or
    - (b) An Institutional Customer who is matching DAP/RAP account trades (either directly or through a custodian) in accordance

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with National Instrument 24-101- Institutional Trade  
Matching and Settlement;

- (V) The Dealer Member and the client have real-time access to, and can download into their own system from the acceptable trade matching utility's or the matching service utility's system, trade details that are similar to the prescribed information under subsection 200.2(l); and
- (VI) The Dealer Member has not filed a report as required under subsection 800.49(6) informing the Corporation that it has not met the quarterly compliant trade percentage or has not filed a trade matching exception report as required under securities legislation relevant to the trade, for a minimum of three consecutive quarters.

A client may terminate their trade confirmation waiver, referred to in sub-clause 200.2(l)(x)(B), by providing a written notice confirming this fact to the Dealer Member. The termination notice takes effect upon the Dealer Member's receipt of the notice.

**(m) Records of cash and margin accounts**

A record in respect of each cash and margin account:

- (i) The name and address of the beneficial owner (and guarantor, if any) of such account,
- (ii) In the case of a margin account a properly executed margin agreement containing the signature of such owner (and guarantor, if any), and
- (iii) Where trading instructions are accepted from a person or corporation other than the client, written authorization or ratification from the client naming the person or company,

But, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account;

**(n) Puts, calls and other options**

A record of all puts, calls, spreads, straddles and other options in which the Dealer Member has any direct or indirect interest or which the Dealer Member has granted or guaranteed, containing at least an identification of the security and the number of units involved;

**(o) Money trial balances and capital computations**

A record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of risk adjusted capital. Such trial balances and computations shall be prepared currently at least once a month;

**(p) Margin call records**



A record of all margin calls whether such calls are made in writing, by telephone or other means of communication;

(q) **Money trial balances and capital computations**

A record of the proof of money balances of all ledger accounts in the form of trial balances and record of a reasonable calculation of minimum risk adjusted capital prepared for each month within a reasonable time after each month end; and

(r) **Account transfer records**

A record of all communications required or made in respect of account transfers pursuant to Rule 2300.

**200.3. Option of earlier date**

(a) Dealer Members have the option of providing clients with the following position cost and performance information:

- (i) Position cost information included in client account statements [*Subsections 200.1(b) and sub-clauses 200.2(d)(ii)(F) and 200.2(d)(ii)(H)*];
- (ii) Position cost information included in the report on client positions held outside of the Dealer Member [*Subsections 200.1(b) and sub-clauses 200.2(e)(ii)(C) and 200.2(e)(ii)(E)*];
- (iii) Activity information included in the annual performance report [*Sub-clauses 200.2(f)(ii)(A) through 200.2(f)(ii)(D)*]; and
- (iv) Percentage return information included in the annual performance report [*Sub-clause 200.2(f)(ii)(E)*];

that is prepared as at a date earlier than July 15, 2015.

(b) Where the option in subsection 200.3(a) is pursued:

- (i) All of the position cost information referenced in clauses 200.3(a)(i) and 200.3(a)(ii) must be prepared for all similar clients as at the same date; and
- (ii) All of the activity and percentage return information referenced in clauses 200.3(a)(iii) and 200.3(a)(iv) must be prepared for all similar clients as at the same date.

**200.4. Timing of the sending of documents to clients**

(a) All confirmations, statements, reports and other documents that are required to be sent to clients pursuant to section 200.2 shall be sent promptly to clients.

(b) The following documents shall be sent to Retail Customers together:

- (i) Performance report [*Subsection 200.2(f)*]; and
- (ii) Fee / charge report [*Subsection 200.2(g)*].

(c) The following documents shall be sent to Retail Customers within 10 days after the client account statement for the monthly or quarterly period ending on the same date is sent:

- (i) Report on client positions held outside of the Dealer Member [*Subsection 200.2(e)*]; and
- (ii) Performance report and fee/charge report [*Subsections 200.2(f) and 200.2(g)*].

**Guide to interpretation of Section 200.2**

Section 200.2 specifies the various items of information which must be reflected on the firm's books as required by the applicable provincial securities legislation. The Rule does not require the various books and records to be kept in any prescribed form. It is expected, however, that the means of recording the information will be complemented by appropriate internal controls to guard against the risk of falsification and will make available clear and accurate information to the Corporation within a reasonable length of time.

(a) **“Trade Blotters”**

This term was historically used to describe a dealer's or broker's books of original entry of daily transactions as principals or on behalf of clients. Larger firms now maintain separate data files and daily reports to record each type of transaction such as purchases versus sales, unlisted securities, bonds, cash receipts, cash disbursements and stock record journals.

Blotters generally should record on purchases and sales the party on the other side, security description, quantity, price, accrued interest, commission, settlement amount, trade date, settlement date and the account for which the transaction was done.

(b) **“General ledger of accounts”**

The general ledger is the primary financial record of the company in which all assets, liabilities, capital, income and expense accounts are summarized. The general ledger is the basis for preparing financial statements and regulatory reports as required by the self-regulatory organizations. Entries made to the general ledger are derived from the various blotters and sub ledgers referred to in subsection 200.2(a).

(c) **“Itemized client ledger accounts”**

Accounts must show all trades, settlement dates, cash disbursements and receipts and deliveries or receipts of securities or commodities. This section requires that client account sub ledgers be kept for each client cash and margin account and firm inventory account.

(d) **“Client account statements”**

Monthly and quarterly statements must be produced for each active account showing a date column, quantity of securities bought or sold, security description and cash debits or credits.

In addition, statements must show the dollar balance carried forward from the previous monthly or quarterly statement; all entries shown in the account since the previous statement date; and the final dollar balance and the security position as of the statement

date. The statements must also indicate the items included in the final security position which are held in safekeeping.

Where the market value for a particular position is not determinable, a notification shall be included in the statement informing the client that the market value of the position cannot be determined.

Where the cost for a particular position is not determinable, a notification shall be included in the statement informing the client that the cost of the position cannot be determined.

For purposes of section 200.2 only, the definition of “client” includes the investing public, financial institutions, other investment dealers and stock brokers, affiliates and partners, shareholders, directors, officers and employees of a Dealer Member firm and its affiliates.

Dealer Members not depositing clients' free credit balances in a trust bank account should refer to section 1200.1 for details of the special notation that must be affixed to all statements sent to clients.

(e) **“Report on client positions held outside of the Dealer Member”**

A quarterly report must be produced for any security positions held outside of the Dealer Member, either in book-based client name or physical client name, on which the Dealer Member receives continuing compensation payments related to the client’s ownership of the security from the issuer of the security, the investment fund manager of the issuer or any other party.

Where the market value for a particular position is not determinable, a notification shall be included in the statement informing the client that the market value of the position cannot be determined.

Where the cost for a particular position is not determinable, a notification shall be included in the statement informing the client that the cost of the position cannot be determined.

(f) **“Performance report”**

The combined performance information included in the performance report must be determined based on:

- all client account security and other investment product positions held by the Dealer Member for the client in nominee name or physically in client name; and
- all other security and other investment product positions outside of the Dealer Member, either in book-based client name or physical client name, on which the Dealer Member receives continuing compensation payments,

subject to the exceptions below.

Where there are one or more positions held in the client account for which the current market value is not determinable, the position(s) shall be considered to have no value in the determination of cumulative account performance. In such instance, a disclosure in the performance report shall inform the client that the value of certain positions has been set at nil for the purposes of calculating performance information and why.

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Where multiple accounts of the same client have the same investment objectives, clients may be offered the alternative of portfolio level (portfolio level being a consolidation of all account positions and debit/credit money balances of the same client) consolidated account performance information. Where the client consents to this alternative, the Dealer Member would not be required to provide performance information for each of the accounts included in the portfolio level reporting.

At the option of the Dealer Member, clients may instead be provided with combined performance information that delineates between recommended and non-recommended positions.

(g) **“Fee / charge report”**

The combined fee/charge information included in the fee / charge report must be determined based on:

- all client account security and other investment product positions held by the Dealer Member for the client in nominee name or physically in client name; and
- all other security and other investment product positions outside of the Dealer Member, either in book-based client name or physical client name, on which the Dealer Member receives continuing compensation payments.

(h) **“Secondary or subsidiary records”**

These records are made up from the blotters or other records of original entry. A brief description of such subsidiary records follows:

(i) **“Securities in transfer”**

The purpose of this item of subsection 200.2(h) is to require the keeping of a record showing all securities “sent to and held by transfer agents”. This record usually shows the number of shares or the par value, name of security, name in which it was registered, new name, date sent out to transfer, old certificate number, date received back from transfer, new certificate numbers and date on new certificate.

(ii) **“Dividends and interest received”**

For the purpose of this item of subsection 200.2(h) it is necessary that a record be maintained by the firm with respect to interest or dividends paid on bonds or stocks, held by the Dealer Member for the clients but registered in some name other than that of the client. The general practice, which would represent compliance with the rule, is to record on a ledger the security, the record date, the ex-dividend date, the payable date and the entitlement rate. The information is then recorded on the dividend sub ledger. All clients who are “long” are credited with their share of the funds received by the firm on account of the dividend or interest. All clients who are “short” on the dividend record date or the interest payable date are charged with the amount payable on their short position. All bearer securities in the firm's possession or in hypothecation on the record or interest date must be examined to determine against whom the firm must claim for payment.

(iii) **“Securities borrowed and securities loaned”**

In borrowing securities or in lending securities to other dealers or brokers, it is necessary to enter such transactions in borrowed or loaned accounts set up for each client. The securities borrowed or loaned account records the date borrowed or date loaned, name of firm from whom borrowed or to whom loaned, quantity, name of security, certificate numbers and the date returned. In some cases, these records also provide an additional column showing the interest rate or premium on stock borrowed or loaned and any collateral provided or received.

(iv) **“Monies borrowed and monies loaned, etc.”**

A record must be kept of all borrowings. This record should show the name of the client, the date, the interest rate, the amount of the loan, terms of the loan, and the date when the loan is made and when repaid. The number of shares, or principal amount in the case of bonds, name of the security, and certificate numbers of securities pledged as collateral must be recorded.

(v) **“Securities failed to receive or deliver”**

These are subsidiary records and are based on information contained on the blotters or other records of original entry. Upon learning that a dealer or broker will fail to deliver on the settlement day, either under the agreement between the buyer and the seller or under clearing house rules, this item requires that records must be kept which show the “fail date” (i.e. the date on which delivery was due but not made), name of security, purchase price, broker or dealer from whom delivery is due, and date received. Conversely, when the firm fails to deliver, it must record the date on which delivery was due, number of shares or principal amount of bonds, name of security, to whom sold, sales price and date on which delivery is made. The total dollar amount of open items on the “fail to receive” and “fail to deliver” records should agree with the “fail to receive” and “fail to deliver” accounts in the firm's general ledger kept pursuant to subsection 200.2(b).

(i) & (j) **“Securities and commodity record or ledger”**

These sections require that the securities and commodity record be posted currently to show all positions no later than the settlement date. The record may, of course, be posted on the “trade” or execution date or any other date prior to the settlement date. Dealer Members may keep separate “securities and commodity records” or “position records” as they are often called, for equities, debt, options and for commodities. The record should show the name of the security, the clients' and other accounts which are “long” and “short” that security, the daily changes in their position, the location of each security, and the total of the long or short position for the account of clients and the firm and partners. This record should be reviewed frequently to ensure it is “in balance” (i.e. for each security or commodity the total long positions should equal the total short positions).

(k) **“Memoranda of orders”**

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In this section the term “instruction” shall be deemed to include instructions between partners or directors and employees of a Dealer Member. The term “time of entry” is specified to mean the time when the Dealer Member transmits the order or instruction for execution, or if it is not so transmitted, the time when it is received.

(l) **“Trade confirmations”**

The provincial securities commissions require that every person or company registered for trading in securities who has acted as principal or agent in connection with any trade in a security shall promptly send or deliver to the client a written confirmation of the transaction, setting forth the details required in this subsection 200.2(l). A person or company or a salesperson may be identified in a written confirmation by means of a code or symbols if the written confirmation also contains a statement that the name of the person, company or salesperson will be furnished to the client on request.

(m) **“Records of cash and margin accounts”**

A margin agreement between a Dealer Member and a client shall define at least the following:

- (i) The obligation of the client in respect of the payment of his or her indebtedness to the Dealer Member and the maintenance of adequate margin and security;
- (ii) The obligation of the client in respect of the payment of interest on debit balances in his or her account;
- (iii) The rights of the Dealer Member in respect of raising money on and pledging securities and other assets held in the client's account;
- (iv) The extent of the right of the Dealer Member to make use of free credit balances in the client's account;
- (v) The rights of the Dealer Member in respect of the realization of securities and other assets held in the client's account and in respect of purchases to cover short sales, and whether any prior notice is required, and if notice be required, the nature and extent of it and the obligations of the client in respect of any deficiency;
- (vi) The extent of the right of the Dealer Member to utilize a security in the client's account for the purpose of making a delivery on account of a short sale;
- (vii) The extent of the right of the Dealer Member to use a security in the client's account for delivery on a sale by the Dealer Member for his or her or its own account or for any account in which the Dealer Member, any partner therein or any director thereof, is directly or indirectly interested;
- (viii) The extent of the right of the Dealer Member to otherwise deal with securities and other assets in the client's account and to hold the same as collateral security for the client's indebtedness; and
- (ix) That all transactions entered into on behalf of the client shall be subject to the Rules of the Investment Industry Regulatory Organization of Canada and/or any securities exchange if executed thereon.

(n) **“Puts, calls, and other options”**

Such a record may be kept in any suitable form which shows the date, details regarding the option, name of security, number of shares, and the expiration date; letters pertaining to such options, including those received from and addressed to clients, should be kept together with the record.

(o) & (q) **“Money trial balances and capital computations”**

Such trial balances and computations will serve as a check upon the current status and accuracy of the ledger accounts which Dealer Members are required to maintain and keep current and will also help to keep Dealer Members currently informed of their capital positions as required under section 17.1.

A Dealer Member must keep currently informed as to the excess capital position and make a computation as often as necessary to ensure that there is adequate capital at all times; but Dealer Members must preserve only the monthly computation mentioned above. On the other hand, Dealer Members whose capital position is substantially in excess of that required, may omit detailed schedules and analyses in support of the computation if they apply a more stringent application of the Rule governing the computation.

For example, when calculating risk adjusted capital, inventories can be grouped into broader margin categories and maximum margin rates applied; offsetting provisions such as those contained in section 100.4 can be ignored; and assets partly allowable or of questionable value can be excluded in their entirety.

When a Dealer Member cannot prove that adequate capital exists, the firm must notify the Corporation immediately.

(r) **“Account transfer records”**

Documentation required pursuant to Rule 2300 in respect of client account transfers is expected to be by means of electronic communication. In order to protect Dealer Members and clients on account transfers and to ensure that such transfers are effected expeditiously, Dealer Members must ensure that copies of all communications sent or received in respect of account transfers are maintained in an accurate, secure and readily accessible format.”

2. Definition (g) in the definitions section of the General Notes and Definitions to Form 1 is repealed and replaced with the following:

“(g) “market value” of a security means:

- (i) For securities, precious metals bullion and commodity futures contracts quoted on an active market, the published price quotation using:
  - (A) For listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on a consolidated pricing list or

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exchange quotation sheet as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be,

- (B) For unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date,
- (C) For all other unlisted securities (including unlisted debt securities) and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of debt securities, based on a reasonable yield rate,
- (D) For commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date,
- (E) For money market fixed date repurchases (no borrower call feature), the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date,
- (F) For money market open repurchases (no borrower call feature), the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value is to be determined as in (E) and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment, and
- (G) For money market repurchases with borrower call features, the borrower call price

and after making any adjustments considered by the Dealer Member to be necessary to accurately reflect the market value,

- (ii) Where a reliable price for the security, precious metals bullion or commodity futures contract cannot be determined:
  - (A) The value determined by using a valuation technique that includes inputs other than published price quotations that are observable for the security, either directly or indirectly; or
  - (B) Where no observable market data-related inputs are available, the value determined by using unobservable inputs and assumptions; or
  - (C) Where insufficient recent information is available and/or there is a wide range of possible values and cost represents the best value estimate that range, cost.
- (iii) Where a value cannot be reliably determined under subsections (g)(i) and (g)(ii) above, the amount used:
  - (A) To report the total market value of a Dealer Member securities position; and
  - (B) To calculate the margin requirement for a client account securities position; shall be zero.”



INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

PERFORMANCE REPORTING AND FEE / CHARGE DISCLOSURE  
AMENDMENTS TO DEALER MEMBER RULE 200 AND FORM 1

BLACK-LINE DETAILING REVISIONS TO CURRENT RULES THAT RESULT FOR  
IMPLEMENTATION OF THE 2015 AND 2016 IIROC CRM2 AMENDMENTS

RULE 200  
MINIMUM RECORDS

200.1. ~~Reserved.~~ For the purposes of this Rule 200:

- (a) “book cost” means:
- (i) In the case a long security position, the total amount paid for the security, including any transaction charges related to the purchase, adjusted for reinvested distributions, returns of capital and corporate actions; or
  - (ii) In the case of a short security position, the total amount received for the security, net of any transaction charges related to the sale, adjusted for any distributions (other than dividends), returns of capital and corporate actions.
- (b) “cost” means for each security position in the account and each security position subject to the additional reporting obligation under subsection 200.2(e):
- (i) On or after July 15, 2015:
    - (A) Either “book cost” or “original cost”, determined as at the end of the applicable period, provided that only one cost calculation methodology, either “book cost” or “original cost”, is used for all positions; or
    - (B) In the case of security positions that are transferred in, either:
      - (I) The amount determined in sub-clause 200.1(b)(i)(A); or
      - (II) The market value of the security position as at the date of transfer, provided that the following notification or a notification that is substantially similar identifies each security position where market value has been used is included in the statement or report:

“Market value information has been used to estimate part or all of the [book cost/original cost] of this security position.”
  - (ii) Before July 15, 2015:
    - (A) Either “book cost” or “original cost”, determined as at the end of the applicable period, provided that only one cost calculation methodology, either “book cost” or “original cost”, is used for all positions; or
    - (B) The market value of the security position as at July 15, 2015 or an earlier date, provided that the following notification or a notification that is

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substantially similar identifies each security position where market value has been used is included in the statement or report:

“Market value information as at [July 15, 2015 or earlier date] has been used to estimate part or all of the [book cost/original cost] of this security position.”

(iii) Where the Dealer Member reasonably believes it cannot determine the cost in accordance with paragraph 200.1(b)(i) and sub-clause 200.1(b)(ii)(B), the following notification or a notification that is substantially similar:

“The [book cost/original cost] of this security position cannot be determined.”

(c) “market value” of a security means:

(i) For securities, precious metals bullion and commodity futures contracts quoted on an active market, the published price quotation using:

(A) For listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on a consolidated pricing list or exchange quotation sheet as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be;

(B) For unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date;

(C) For all other unlisted securities (including unlisted debt securities) and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of debt securities, based on a reasonable yield rate;

(D) For commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date;

(E) For money market fixed date repurchases (no borrower call feature), the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date;

(F) For money market open repurchases (no borrower call feature), the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value is to be determined as in (E) and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment; and

(G) For money market repurchases with borrower call features, the borrower call price

and after making any adjustments considered by the Dealer Member to be necessary to accurately reflect the market value,

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- (ii) Where a reliable price for the security, precious metals bullion or commodity futures contract cannot be determined:
  - (A) The value determined by using a valuation technique that includes inputs other than published price quotations that are observable for the security, either directly or indirectly; or
  - (B) Where no observable market data-related inputs are available, the value determined by using unobservable inputs and assumptions; or
  - (C) Where insufficient recent information is available and/or there is a wide range of possible values and cost represents the best value estimate within that range, cost

and the Dealer Member must include the following notification or a notification that is substantially similar:

“There is no active market for this security so we have estimated its market value.”

- (iii) Where a value cannot be reliably determined under clauses 200.1(c)(i) and 200.1(c)(ii) above no value shall be reported and the Dealer Member must include the following notification or a notification that is substantially similar:

“Market value not determinable.”

- (d) “operating charge” means any amount charged to a client by a Dealer Member in respect of the operation, transfer or termination of a client’s account and includes any taxes paid on that amount;
- (e) “original cost” means:
  - (i) In the case of a long security position, the total amount paid for the security, including any transaction charges related to the purchase; or
  - (ii) In the case of a short security position, the total amount received for the security, net of any transaction charges related to the sale.
- (f) “total percentage return” means the cumulative realized and unrealized capital gains and losses of an investment, plus income from the investment, over a specified period of time, expressed as a percentage;
- (g) “trailing commission” means any payment related to a client’s ownership of a security that is part of a continuing series of payments to a Dealer Member by any party;
- (h) “transaction charge” means any amount charged to a client by a Dealer Member in respect of a purchase or sale of a security and includes any taxes paid on that amount;

200.2. As required under Rule 17.2 every Dealer Member shall make and keep current books and records necessary to record properly its business transactions and financial charts including, without limitation:

(a) **Trade blotters**

Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all trades in commodity futures contracts and commodity futures contract options, all receipts and disbursements of cash and all other debits and credits. Such records shall show the account for which each such transaction was effected, the trade dates and

- (i) In the case of trades in securities:
  - (A) The name, class and designation of securities;
  - (B) The number, value or amount of securities and the unit and aggregate purchase or sale price (if any); and
  - (C) The name or other designation of the person from whom the securities were purchased or received or to whom they were sold or delivered.

And

- (ii) In the case of trades in commodity futures contracts:
  - (A) The commodity and quantity bought or sold;
  - (B) The delivery month and year;
  - (C) The price at which the contract was entered into;
  - (D) The commodity futures exchange; and
  - (E) The name of the dealer if any, used by the Dealer Member as its agent to effect the trade.

And

- (iii) In the case of trades in commodity futures contract options:
  - (A) The type and number;
  - (B) The premium;
  - (C) The commodity futures contract that is the subject of the commodity futures contract option;
  - (D) The delivery month and year of the commodity futures contract that is the subject of the commodity futures option;
  - (E) The declaration date;
  - (F) The striking price;
  - (G) The commodity futures exchange; and
  - (H) The name of the dealer, if any, used by the Dealer Member as its agent to effect the trade.

(b) **General ledger of accounts**

A general ledger (or other records) maintained in detail reflecting all assets and liabilities, income and expense and capital accounts.

**(c) Itemized client ledger accounts**

Ledger accounts (or other records) itemizing separately as to each cash and margin account of every client, all purchases, sales, receipts, deliveries and other trades of securities, commodity futures contracts and commodity futures contract options for such account and all other debits and credits to such account, and

- (i) With respect to all securities and property received to margin, guarantee or secure the trades or contracts of clients:
  - (A) A description of the securities or property received;
  - (B) The date when received;
  - (C) The identity of any deposit institution where such securities or property are segregated;
  - (D) The dates of deposit and withdrawal from such institutions; and
  - (E) The date of return of such securities or property to the client or other disposition thereof, together with the facts and circumstances of such other disposition;

And

- (ii) With respect to any investments of such money, proceeds or funds segregated for the benefit of the clients:
  - (A) The date of which such investments were made;
  - (B) The identity of the person or company through or from whom such securities were purchased;
  - (C) The amount invested;
  - (D) A description of the securities invested in;
  - (E) The identity of the deposit institution, other dealer or dealer registered under any applicable securities legislation where such securities are deposited;
  - (F) The date of liquidation or other disposition and the money received on such disposition; and
  - (G) The identity of the person or company to or through whom such securities were disposed;

**(d) Client account statements**

- (i) A Dealer Member must send:

- (A) A monthly client account statement to each client who, at:

(I) Requests to receive a client account statement on a monthly basis; or

(II) At the end of the month has:

- (Ia) Had a transaction during the month;
- (Ib) Has experienced a cash or security modification, other than dividend or interest payments;
- (Ic) An unexpired and unexercised futures contract option position; or

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- (IVd) An open futures contract, or exchange contract position;  
in their account.
- (B) A quarterly client account statement to each client who, at the end of the quarter has:
  - (I) A debit or credit balance; or
  - (II) One or more security positions (including securities held in safekeeping or in segregation)  
in their account.

And

- (ii) The statement must include all of the following information about the client's account at the end of the period for which the statement is made:
  - (A) The opening cash balance in the account;
  - (B) All deposits, credits, withdrawals and debits made to the account;
  - (C) The closing cash balance in the account;
  - (D) The name and quantity of each security position in the account;
  - (E) For each security position in the account:
    - (I) Where the market value is determinable:
      - (a) The market value;
      - (b) The total market value; and
      - (c) If applicable, the notification required pursuant to [subparagraph clause 200.1\(c\)\(ii\)](#);
    - (II) Where the market value is not determinable, the notification required pursuant to [subparagraph clause 200.1\(c\)\(iii\)](#); **and**
  - (F) ~~Reserved.~~ Where the client is a Retail Customer and the statement is a quarterly statement, the statement must also include:
    - (I) For each security position in the account:
      - (a) Where the cost is determinable, either the cost or the total cost;  
and
      - (b) Where the cost is not determinable, the notification required pursuant to clause 200.1(b)(iii).

And

- (II) A notation setting out the definitions of the calculation methodologies used to calculate the individual position cost information included in the statement, provided that where the individual position cost information included in the statement is calculated using:
  - (a) The "book cost" calculation methodology, the definition language set out in subsection 200.1(a) or language that is substantially similar must be used as the notation; and

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(b) The “original cost” calculation methodology, the definition language set out in subsection 200.1(e) or language that is substantially similar must be used as the notation;

- (G) The total market value of all cash and security positions in the account; and
- (H) ~~Reserved.~~ Where the client is a Retail Customer and the statement is a quarterly statement, the total cost of all cash and security positions in the account.

And

- (iii) ~~Reserved.~~ In the case of clients with any security positions which might be subject to a deferred sales charge if they are sold, a notation identifying each security position that might be subject to a deferred sales charge.

And

- (iv) In the case of clients with any unexpired and unexercised commodity futures contract options, open commodity futures contracts, or exchange contracts, the statement must include at least all of the following information:
  - (A) Each unexpired and unexercised commodity futures contract option,
  - (B) The striking price of each unexpired and unexercised commodity futures contract option,
  - (C) Each open commodity futures contract,
  - (D) The price at which each open commodity futures contract was entered into.

And

- (v) In the case where a Dealer Member has acted as an agent in connection with a liquidating trade in a commodity futures contract, the monthly statement must include at least all of the following information:
  - (A) The dates of the initial transaction and liquidating trade,
  - (B) The commodity and quantity bought and sold,
  - (C) The commodity futures exchange upon which the contracts were traded,
  - (D) The delivery month and year,
  - (E) The prices on the initial transaction and on the liquidating trade,
  - (F) The gross profit or loss on the transactions,
  - (G) The commission, and
  - (H) The net profit or loss on the transactions.

And

- (vi) In the case of transactions involving securities of the Dealer Member or a related issuer of the Dealer Member, or in the course of a distribution to the public, securities of a connected issuer of the Dealer Member, the monthly statement must state that the securities are securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case

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may be. For the purposes of this paragraph clause, the terms “related issuer” and “connected issuer” shall have the same meaning as ascribed to them in the Regulation made under the Securities Act (Ontario).

- (e) Reserved: Report on client positions held outside of the Dealer Member
- (i) A Dealer Member must send a quarterly Report on client positions held outside of the Dealer Member (referred to as “outside holdings” in this rule) to each Retail Customer who, at the end of the quarter holds outside of the Dealer Member, either in book-based client name or physical client name, one or more security positions:
- (A) On which the Dealer Member receives continuing compensation payments related to the client’s ownership of the security from the issuer of the security, the investment fund manager of the issuer or any other party; and/or
- (B) In securities issued by a scholarship plan, a mutual fund or an investment fund that is a labour-sponsored investment fund corporation, or labour-sponsored venture capital corporation, under legislation of a jurisdiction of Canada and the dealer or adviser is the dealer or adviser of record for the client on the records of the issuer of the security or the records of the issuer’s investment fund manager.

And

- (ii) The report must include all of the following information about the client’s outside holdings at the end of the period for which the report is made:
- (A) The name and quantity of each security position;
- (B) For each security position:
- (I) Where the market value is determinable:
- (a) The market value;
- (b) The total market value; and
- (c) If applicable, the notification required pursuant to clause 200.1(c)(ii);
- (II) Where the market value is not determinable, the notification required pursuant to clause 200.1(c)(iii);
- (C) The report must also include:
- (I) For each security position:
- (a) Where the cost is determinable, either the cost or the total cost; and
- (b) Where the cost is not determinable, the notification required pursuant to clause 200.1(b)(iii);

And



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(II) A notation setting out the definitions of the calculation methodologies used to calculate the individual position cost information included in the statement, provided that where the individual position cost information included in the statement is calculated using:

(a) The “book cost” calculation methodology, the definition language set out in subsection 200.1(a) or language that is substantially similar must be used as the notation; and

(b) The “original cost” calculation methodology, the definition language set out in subsection 200.1(e) or language that is substantially similar must be used as the notation;

(D) The total market value of all security positions;

(E) The total cost of all security positions; and

(F) The name of the party that holds or controls each security position and a description of the way it is held.

And

(iii) In the case of clients with any outside holdings which might be subject to a deferred sales charge if they are sold, a notation identifying each security position that might be subject to a deferred sales charge.

And

(iv) The report must indicate:

(A) That the client’s outside holdings are not covered by the Canadian Investor Protection Fund; and

(B) Whether the securities are covered under any other investor protection fund approved or recognized by a Canadian securities regulatory authority and, if they are, the name of the fund.

(f) ~~Reserved:~~ Performance report

(i) A Dealer Member must send an annual performance report to each Retail Customer who, at the end of the 12-month period covered by the report has:

(A) An account with:

(I) A debit or credit balance; or

(II) One or more security positions (including securities held in safekeeping or in segregation).

And/or

(B) Holds one or more security positions outside of the Dealer Member for which quarterly reporting pursuant to subsection 200.2(e) is required.

And

(C) There is at least one security, in the account or held outside of the Dealer Member for which quarterly reporting pursuant to subsection 200.2(e) is

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required, for which a market value can be determined pursuant to either clause 200.1(c)(i) or 200.1(c)(ii).

And

(D) The client's account was opened at least 12 months ago.

(ii) The annual performance report must include all of the following combined information about the client's account and outside holdings at the end of the period for which the report is made:

(A) The total combined market value of all cash and security positions:

(I) As at July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, as at the account opening date;

(II) As at the beginning date of the 12-month period covered by the report;  
and

(III) As at the end date of the report;

(B) The total combined market value of all deposits and transfers in of cash and security positions:

(I) In the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date, to the end date of the report; and

(II) In the 12-month period covered by the report;

(C) The total combined market value of all withdrawals and transfers out of cash and security positions:

(I) In the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report; and

(II) In the 12-month period covered by the report;

(D) The total combined change in market value of all cash and security positions:

(I) For the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report, determined using the following formula:

Total market value change from account opening

= Closing market value

— [Paragraph 200.2(f)(ii)(A)(III)]

- Account opening market value

— [Paragraph 200.2(f)(ii)(A)(I)]

- Deposits and transfers in

— [Paragraph 200.2(f)(ii)(B)(I)]

+ Withdrawals and transfers out

— [Paragraph 200.2(f)(ii)(C)(I)]

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(II) For the 12-month period covered by the report, determined using the following formula:

Total 12-month market value change

= Closing market value  
[Paragraph 200.2(f)(ii)(A)(III)]

- Account opening market value  
[Paragraph 200.2(f)(ii)(A)(II)]

- Deposits and transfers in  
[Paragraph 200.2(f)(ii)(B)(II)]

+ Withdrawals and transfers out  
[Paragraph 200.2(f)(ii)(C)(II)]

(E) The amount of the annualized total percentage return calculated net of charges using a money-weighted rate of return calculation methodology generally accepted in the securities industry for the following periods:

(I) The 12-month period covered by the report;

(II) The 3-year period preceding the end date of the report;

(III) The 5-year period preceding the end date of the report;

(IV) The 10-year period preceding the end date of the report; and

(V) The period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report;

provided that if any portion of a period referred to in paragraphs 200.2(f)(ii)(E)(II), 200.2(f)(ii)(E)(III) and 200.2(f)(ii)(E)(IV) is before July 15, 2015, the Dealer Member is not required to report the annualized total percentage return for that period.

(F) The definition of “total percentage return” as set out in subsection 200.1(f) and a notification indicating the following:

(I) The total percentage return presented in the performance report was calculated net of fees / charges;

(II) The calculation method used;

(III) A general explanation in plain language of what the calculation method takes into account.

(iii) The combined information required to be provided under 200.2(f)(ii) must be presented using text, tables and charts, and must be accompanied by notes in the performance report explaining:

(A) The content of the report and how a client can use the information to assess the performance of the client’s investments; and

(B) The changing value of the client’s investments as reflected in the information in the report.

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- (iv) The Dealer Member must send a performance report to a client every 12 months, except that the first performance report sent after a Dealer Member opens an account for a client may be sent within 24 months.
  - (v) For the purposes of this subsection 200.2(f), the information in respect of securities of a client required to be reported under subsection 200.2(d) [*Client account statements*] must be provided in a separate report for each of the client's accounts.
  - (vi) For the purposes of this subsection 200.2(f), the information in respect of securities of a client required to be reported under subsection 200.2(e) [*Report on client positions held outside of the Dealer Member*] must be included in the report for each of the client's accounts through which the securities were transacted.
  - (vii) Clauses 200.2(f)(v) and 200.2(f)(vi) do not apply if the Dealer Member sends a single report to the client that consolidates the required information for more than one of a client's accounts and any securities of a client required to be reported under subsection 200.2(e) [*Report on client positions held outside of the Dealer Member*] provided:
    - (A) The client has consented in writing to receiving a consolidated report; and
    - (B) The report that is sent specifies the accounts and securities for which the consolidated information is being provided.  - (viii) All annual performance reports that are sent to a client, whether prepared for an individual account or prepared on a consolidated account basis pursuant to clause 200.2(f)(vii), must:
    - (A) Be prepared for the same 12-month period; and
    - (B) Include aggregated information for the same accounts and securities; as the annual fee/charge reports that are sent to the same client.
- (g) ~~Reserved.~~ Fee / charge report
- (i) A Dealer Member must send a fee / charge report to each Retail Customer who, at the end of the 12-month period covered by the report or a shorter period in the case of the first report delivered after a client has opened an account, has:
    - (A) An account.

And/or  - (B) Holds one or more security positions outside of the Dealer Member for which quarterly reporting pursuant to subsection 200.2(e) is required.
- And- (C) Paid a fee, charge or other payment, including payments referred to in sub-clauses 200.2(g)(ii)(H) and 200.2(g)(ii)(I), either directly or indirectly, to the Dealer Member or any of its registered individuals during the period covered by the report.

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- (ii) The annual fee/charge report must include all of the following combined information about the client's account and outside holdings at the end of the period for which the report is made:
  - (A) A discussion of the 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;
  - (C) The aggregate total amount of all operating charges related to the client's account paid by the client during the period covered by the report;
  - (D) 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;
  - (E) The aggregate total amount of all transaction charges related to the client's account paid by the client during the period covered by the report;
  - (F) The aggregate total amount of all charges reported under sub-clauses 200.2(g)(ii)(C) and 200.2(g)(ii)(E);
  - (G) If the Dealer Member purchased or sold debt securities for the client during the period of the report, either of the following:
    - (I) The total amount of any mark-ups, mark-downs, commissions or other fees or charges the Dealer Member applied on the purchases or sales of debt securities;
    - (II) The total amount of any commissions charged to the client by the Dealer Member on the purchases or sales of debt securities and, if the Dealer Member applied mark-ups, mark-downs or other fees or 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.";
  - (H) The total amount of each type of payment, other than trailing commissions, that is made to the Dealer Member or any of its registered individuals by a securities issuer or another registrant in relation to registerable services provided to the client during the period covered by the report, accompanied by an explanation of each type of payment; and
  - (I) If the Dealer Member received trailing commissions related to securities owned by the client during the period covered by the report, the following notification or a notification that is substantially similar:

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“We received \$[amount] in trailing commissions in respect of securities you owned during the period covered by this report.

Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission depends on the sales charge option you chose when you purchased the fund. You are not directly charged the trailing commission or the management fee. But, these fees affect you because they reduce the amount of the fund’s return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund.”

- (iii) For the purposes of this subsection 200.2(g), the information in respect of securities of a client required to be reported under subsection 200.2(d) [*Client account statements*] must be provided in a separate report for each of the client’s accounts.
- (iv) For the purposes of this subsection 200.2(g), the information in respect of securities of a client required to be reported under subsection 200.2(e) [*Report on client positions held outside of the Dealer Member*] must be included in the report for each of the client’s accounts through which the securities were transacted.
- (v) Clauses 200.2(g)(iii) and 200.2(g)(iv) do not apply if the Dealer Member sends a single report to the client that consolidates the required information for more than one of a client’s accounts and any securities of a client required to be reported under subsection 200.2(e) [*Report on client positions held outside of the Dealer Member*] provided:
  - (A) The client has consented in writing to receiving a consolidated report; and
  - (B) The report that is sent specifies the accounts and securities for which the consolidated information is being provided.
- (vi) All annual fee/charge reports that are sent to a client, whether prepared for an individual account or prepared on a consolidated account basis pursuant to clause 200.2(g)(v), must:
  - (A) Be prepared for the same 12-month period; and
  - (B) Include aggregated information for the same accounts and securities; as the annual performance reports that are sent to the same client.

**(h) Secondary or subsidiary records**

Ledgers (or other records) reflecting the following:

- (i) Securities in transfer;
- (ii) Dividends and interest received;
- (iii) Securities borrowed and securities loaned;

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- (iv) Monies borrowed and monies loaned (together with a record of the collateral therefor and any substitutions in such collateral);
- (v) Securities failed to receive and failed to deliver;
- (vi) Money, securities and property received to margin, guarantee or secure the trades or contracts of clients, and all funds accruing to clients, which must be segregated for the benefit of clients under any applicable legislation;

(i) **Securities record**

A securities record or ledger reflecting separately for each security as of the trade or settlement dates all long and short positions (including securities in safekeeping) carried for the Dealer Member's account or for the account of clients, showing the location of all securities long and the offsetting position to all securities short and in all cases the name or designation of the account in which each position is carried;

(j) **Commodity record**

A commodity record or ledger showing separately for each commodity as of the trade date all long positions or short positions in commodity futures contracts carried for the Dealer Member's account or for the account of clients and, in all cases, the name or designation of the account in which each position is carried;

(k) **Memoranda of orders**

An adequate record of each order, and of any other instruction, given or received for the purchase or sale of securities or with respect to a trade in a commodity futures contract or a commodity futures contract option, whether executed or unexecuted, showing:

- (i) The terms and conditions of the order or instruction and of any modification or cancellation thereof;
- (ii) The account to which the order or instruction relates;
- (iii) The time of entry of the order or instruction and, where the order is entered pursuant to the exercise of discretionary power of a Dealer Member, a statement to that effect;
- (iv) Where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed, and the allocation among the component accounts intended on execution;
- (v) Where the order or instruction is placed by an individual other than:
  - (A) The person in whose name the account is operated; or
  - (B) An individual duly authorized to place orders or instructions on behalf of a client that is a company;  
the name, sales number or designation of the individual placing the order or instruction;
- (vi) To the extent feasible, the time of execution or cancellation;

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- (vii) The price at which the order or instruction was executed;<sup>7, 8</sup> and
- (viii) The time of report of execution;<sup>7, 8</sup>

**(I) Trade confirmations**

Copies of confirmations of all purchases and sales of securities and of all trades in commodity futures contracts and commodity futures contract options and copies of notices of all other debits and credits of money, securities, property, proceeds of loans and other items for the account of clients. Such written confirmations are required to be sent promptly to clients and shall set forth at least the day and the marketplace or marketplaces upon which the trade took place, or marketplace disclosure language acceptable to the Corporation;~~the commission, if any, charged in respect of the trade;~~ the fee or other charge, if any, levied by any securities regulatory authority in connection with the trade; the name of the salesman, if any, involved in the transaction; the name of the dealer, if any, used by the Dealer Member as its agent to effect the trade, the settlement date of the trade;

And,

- (i) In the case of trades in securities:
  - (A) The quantity and description of the security;
  - (B) The consideration;<sup>7, 8</sup>
  - (C) Whether or not the person or company that executed the trade acted as principal or agent;<sup>7, 8</sup>
  - (D) If acting as agent in a trade upon a stock exchange the name of the person or company from or to or through whom the security was bought or sold;<sup>7, 8</sup>

And

- (ii) In the case of trades in commodity futures contracts:
  - (A) The commodity and quantity bought or sold;<sup>7, 8</sup>
  - (B) The price at which the contract was entered into;<sup>7, 8</sup> and
  - (C) The delivery month and year;<sup>7, 8</sup>

And

- (iii) In the case of trades in commodity futures contract options:
  - (A) The type and number of commodity futures contract options;<sup>7, 8</sup>
  - (B) The premium;<sup>7, 8</sup>
  - (C) The delivery month and year of the commodity futures contract that is the subject of the commodity futures contract option;<sup>7, 8</sup>
  - (D) The declaration date;<sup>7, 8</sup> and
  - (E) The striking price;<sup>7, 8</sup>

And

- (iv) In the case of trades in mortgage-backed securities, and subject to the proviso below:



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- (A) The original principal amount of the trade;
- (B) The description of the security (including interest rate and maturity date);
- (C) The remaining principal amount (RPA) factor;
- (D) The purchase/sale price per \$100 of original principal amount;
- (E) The accrued interest;
- (F) The total settlement amount; and
- (G) The settlement date;

provided that in the case of trades entered into from the third clearing day before month end to the fourth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in sub-clauses 200.2(l)(iv)(A), (B), (D) and (G) and indicating that the information in sub-clauses 200.2(l)(iv)(C), (E) and (F) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required above;

And

(v) In the case of confirmations other than confirmations relating to trades involving debt securities and other over the counter traded securities:

(A) Where the confirmation is sent to a Retail Customer:

(I) The amount of each transaction charge, deferred sales charge or other charge in respect of the transaction; and

(II) The total amount of all charges in respect of the transaction.

(B) Where the confirmation is sent to an Institutional Customer:

(I) The commission, if any, charged in respect of the transaction.

And

(vi) In the case of debt securities:

(A) In the case of a purchase, where the debt security is a stripped coupon or a residual debt instrument:

(I) The yield thereon calculated on a semi-annual basis in a manner consistent with the yield calculation for the debt instrument which has been stripped; and

(II) The yield thereon calculated on an annual basis in a manner consistent with the yield calculation for other debt securities which are commonly regarded as being competitive in the market with such coupons or residuals such as guaranteed investment certificates, bank deposit receipts and other indebtedness for which the term and interest rate is fixed.

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- (B) In the case of a purchase, where the debt security is neither a stripped coupon nor a residual debt instrument:
  - (I) The yield to maturity calculated in a manner consistent with market conventions for the security traded~~;~~;
  - (II) Where the debt security is subject to call prior to maturity through any means, the notation of “callable” must be included~~;~~ and
  - (III) Where the debt security has a variable coupon rate, the notation “The coupon rate may vary.” must be included.
- (C) Where the debt security trade is not a primary market transaction and the trade confirmation is being sent to a Retail Customer, either of the following:
  - (I) The total amount of any mark-up or mark-down, commission or other service charges the Dealer Member applied to the transaction; or
  - (II) The total amount of any commission charged to the client by the Dealer Member and, if the Dealer Member applied a mark-up or mark-down or any service charge other than a commission, the following notification or a notification that is substantially similar:

“Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale). This amount was in addition to any commission this trade confirmation shows was charged to you.”

And

- (vii) In the case of all over-the-counter traded securities other than debt securities, including contracts for difference and foreign exchange contracts, but excluding primary market transactions and over-the-counter derivatives with non-standardized contract terms that are customized to the needs of a particular client and for which there is no secondary market, and the trade confirmation is being sent to a Retail Customer, either of the following:
  - (~~I~~A) The total amount of any mark-up or mark-down, commission or other service charges the Dealer Member applied to the transaction;
  - (~~H~~B) The following notification or a notification that is substantially similar:

“Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale).”

And

- (viii) In the case of transactions involving securities of the Dealer Member or a related issuer of the Dealer Member, or in the course of a distribution to the public, securities of a connected issuer of the Dealer Member, such trade confirmation shall state that the securities are securities of the Dealer Member, a related issuer

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of the Dealer Member or a connected issuer of the Dealer Member, as the case may be. For the purposes of this ~~paragraph~~clause, the terms “related issuer” and “connected issuer” shall have the same meaning as ascribed to them in the Regulation made under the Securities Act (Ontario).

And

~~(viii)~~(ix) In the case of a Dealer Member controlled by or affiliated with a financial institution, the relationship between the Dealer Member and the financial institution shall be disclosed on each trade confirmation issued in connection with a trade in securities of a mutual fund sponsored by the financial institution or a corporation controlled by or affiliated with the financial institution.

And

- ~~(ix)~~ Notwithstanding the provisions of this subsection 200.2(l), a Dealer Member shall not be required to provide a confirmation to a client in respect of a trade:
- (A) In a managed account, provided that:
- (I) Prior to the trade, the client has consented in writing to waive the trade confirmation requirement;
  - (II) The client may terminate a waiver by notice in writing. The termination notice shall be effective upon receipt of the written notice by the Dealer Member, for trades following the date of receipt;
  - (III) The provision of a confirmation is not required under any applicable securities law, regulation or policy of the jurisdiction in which the client resides or the Dealer Member has obtained an exemption from any such law, regulation or policy by the responsible securities regulatory authority; and
  - (IV) Where:
    - (a) A person other than the Dealer Member manages the account
      - (i) A trade confirmation has been sent to the manager of the account, and
      - (ii) The Dealer Member complies with the requirements of subsection 200.2(d); or
    - (b) The Dealer Member manages the account:
      - (i) The account is not charged any commissions or fees based on the volume or value of transactions in the account;
      - (ii) The Dealer Member sends to the client a monthly statement that is in compliance with subsection 200.2(d) and contains all of the information required to be contained in a confirmation under this subsection 200.2(l) except:

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- (A) The day and the marketplace or marketplaces upon which the trade took place, or marketplace disclosure language acceptable to the Corporation;
  - (B) The fee or other charge, if any, levied by any securities regulatory authority in connection with the trade;
  - (C) The name of the salesman, if any, in the transaction;
  - (D) The name of the dealer, if any, used by the Dealer Member as its agent to effect the trade; and,
  - (E) If acting as agent in a trade upon a stock exchange the name of the person or company from or to or through whom the security was bought or sold,
- (iii) The Dealer Member maintains the information not required to be in the monthly statement pursuant to [paragraph subparagraph 200.2\(l\)\(x\)\(A\)\(iv\)\(b\)\(ii\)](#) and discloses to the client on the monthly statement that such information will be provided to the client on request.
- (B) In delivery against payment (DAP) and receipt against payment (RAP) trade accounts, provided that:
- (I) The trade is either subject to or matched in accordance with broker-to-broker or institutional trade matching requirements under *the Corporation's Rules* or securities legislation;
  - (II) The *Dealer Member* maintains an electronic audit trail of the trade under *the Corporation's Rules* or securities legislation;
  - (III) Prior to the trade, the client has agreed in writing to waive receipt of trade confirmations from the *Dealer Member*;
  - (IV) The client is either:
    - (a) another Dealer Member who is reporting or affirming trade details through an acceptable trade matching utility in accordance with section 800.49; or
    - (b) An Institutional Customer who is matching DAP/RAP account trades (either directly or through a custodian) in accordance with National Instrument 24-101- Institutional Trade Matching and Settlement;
  - (V) The Dealer Member and the client have real-time access to, and can download into their own system from the acceptable trade matching utility's or the matching service utility's system, trade details that are similar to the prescribed information under subsection 200.2(l); and
  - (VI) The Dealer Member has not filed a report as required under subsection 800.49(6) informing the Corporation that it has not met the quarterly

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compliant trade percentage or has not filed a trade matching exception report as required under securities legislation relevant to the trade, for a minimum of three consecutive quarters.

A client may terminate their trade confirmation waiver, referred to in [subparagraph sub-clause 200.2\(l\)\(x\)\(B\)](#), by providing a written notice confirming this fact to the Dealer Member. The termination notice takes effect upon the Dealer Member's receipt of the notice.

**(m) Records of cash and margin accounts**

A record in respect of each cash and margin account:

- (i) The name and address of the beneficial owner (and guarantor, if any) of such account,
- (ii) In the case of a margin account a properly executed margin agreement containing the signature of such owner (and guarantor, if any), and
- (iii) Where trading instructions are accepted from a person or corporation other than the client, written authorization or ratification from the client naming the person or company,

But, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account;

**(n) Puts, calls and other options**

A record of all puts, calls, spreads, straddles and other options in which the Dealer Member has any direct or indirect interest or which the Dealer Member has granted or guaranteed, containing at least an identification of the security and the number of units involved;

**(o) Money trial balances and capital computations**

A record of the proof of money balances of all ledger accounts in the form of trial balances and a record of the computation of risk adjusted capital. Such trial balances and computations shall be prepared currently at least once a month;

**(p) Margin call records**

A record of all margin calls whether such calls are made in writing, by telephone or other means of communication;

**(q) Money trial balances and capital computations**

A record of the proof of money balances of all ledger accounts in the form of trial balances and record of a reasonable calculation of minimum risk adjusted capital prepared for each month within a reasonable time after each month end; and

**(r) Account transfer records**

A record of all communications required or made in respect of account transfers pursuant to Rule 2300.

200.3. ~~Reserved.~~ Option of earlier date

- (a) Dealer Members have the option of providing clients with the following position cost and performance information:
  - (i) Position cost information included in client account statements [Subsections 200.1(b) and sub-clauses 200.2(d)(ii)(F) and 200.2(d)(ii)(H)];
  - (ii) Position cost information included in the report on client positions held outside of the Dealer Member [Subsections 200.1(b) and sub-clauses 200.2(e)(ii)(C) and 200.2(e)(ii)(E)];
  - (iii) Activity information included in the annual performance report [Sub-clauses 200.2(f)(ii)(A) through 200.2(f)(ii)(D)]; and
  - (iv) Percentage return information included in the annual performance report [Sub-clause 200.2(f)(ii)(E)];that is prepared as at a date earlier than July 15, 2015.
- (b) Where the option in subsection 200.3(a) is pursued:
  - (i) All of the position cost information referenced in clauses 200.3(a)(i) and 200.3(a)(ii) must be prepared for all similar clients as at the same date; and
  - (ii) All of the activity and percentage return information referenced in clauses 200.3(a)(iii) and 200.3(a)(iv) must be prepared for all similar clients as at the same date.

200.4. Timing of the sending of documents to clients

- (a) All confirmations, statements, reports and other documents that are required to be sent to clients pursuant to section 200.2 shall be sent promptly to clients.
- (b) The following documents shall be sent to Retail Customers together:
  - (i) Performance report [Subsection 200.2(f)]; and
  - (ii) Fee / charge report [Subsection 200.2(g)].
- (c) The following documents shall be sent to Retail Customers within 10 days after the client account statement for the monthly or quarterly period ending on the same date is sent:
  - (i) Report on client positions held outside of the Dealer Member [Subsection 200.2(e)]; and
  - (ii) Performance report and fee/charge report [Subsections 200.2(f) and 200.2(g)].

**Guide to interpretation of Section 200.2**

Section 200.2 specifies the various items of information which must be reflected on the firm's books as required by the applicable provincial securities legislation. The Rule does not require the various books and records to be kept in any prescribed form. It is expected, however, that the means of recording the information will be complemented by appropriate internal controls to guard against

the risk of falsification and will make available clear and accurate information to the Corporation within a reasonable length of time.

(a) **“Trade Blotters”**

This term was historically used to describe a dealer's or broker's books of original entry of daily transactions as principals or on behalf of clients. Larger firms now maintain separate data files and daily reports to record each type of transaction such as purchases versus sales, unlisted securities, bonds, cash receipts, cash disbursements and stock record journals.

Blotters generally should record on purchases and sales the party on the other side, security description, quantity, price, accrued interest, commission, settlement amount, trade date, settlement date and the account for which the transaction was done.

(b) **“General ledger of accounts”**

The general ledger is the primary financial record of the company in which all assets, liabilities, capital, income and expense accounts are summarized. The general ledger is the basis for preparing financial statements and regulatory reports as required by the self-regulatory organizations. Entries made to the general ledger are derived from the various blotters and sub ledgers referred to in subsection 200.2(a).

(c) **“Itemized client ledger accounts”**

Accounts must show all trades, settlement dates, cash disbursements and receipts and deliveries or receipts of securities or commodities. This section requires that client account sub ledgers be kept for each client cash and margin account and firm inventory account.

(d) **“Client account statements”**

Monthly and quarterly statements must be produced for each active account showing a date column, quantity of securities bought or sold, security description and cash debits or credits.

In addition, statements must show the dollar balance carried forward from the previous monthly or quarterly statement; all entries shown in the account since the previous statement date; and the final dollar balance and the security position as of the statement date. The statements must also indicate the items included in the final security position which are held in safekeeping.

[Where the market value for a particular position is not determinable, a notification shall be included in the statement informing the client that the market value of the position cannot be determined.](#)

[Where the cost for a particular position is not determinable, a notification shall be included in the statement informing the client that the cost of the position cannot be determined.](#)

For purposes of section 200.2 only, the definition of “client” includes the investing public, financial institutions, other investment dealers and stock brokers, affiliates and partners, shareholders, directors, officers and employees of a Dealer Member firm and its affiliates.

Dealer Members not depositing clients' free credit balances in a trust bank account should refer to section 1200.1 for details of the special notation that must be affixed to all statements sent to clients.

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(e) ~~Reserved.~~ “Report on client positions held outside of the Dealer Member”

A quarterly report must be produced for any security positions held outside of the Dealer Member, either in book-based client name or physical client name, on which the Dealer Member receives continuing compensation payments related to the client’s ownership of the security from the issuer of the security, the investment fund manager of the issuer or any other party.

Where the market value for a particular position is not determinable, a notification shall be included in the statement informing the client that the market value of the position cannot be determined.

Where the cost for a particular position is not determinable, a notification shall be included in the statement informing the client that the cost of the position cannot be determined.

(f) ~~Reserved.~~ “Performance report”

The combined performance information included in the performance report must be determined based on:

- all client account security and other investment product positions held by the Dealer Member for the client in nominee name or physically in client name; and
- all other security and other investment product positions outside of the Dealer Member, either in book-based client name or physical client name, on which the Dealer Member receives continuing compensation payments,

subject to the exceptions below.

Where there are one or more positions held in the client account for which the current market value is not determinable, the position(s) shall be considered to have no value in the determination of cumulative account performance. In such instance, a disclosure in the performance report shall inform the client that the value of certain positions has been set at nil for the purposes of calculating performance information and why.

Where multiple accounts of the same client have the same investment objectives, clients may be offered the alternative of portfolio level (portfolio level being a consolidation of all account positions and debit/credit money balances of the same client) consolidated account performance information. Where the client consents to this alternative, the Dealer Member would not be required to provide performance information for each of the accounts included in the portfolio level reporting.

At the option of the Dealer Member, clients may instead be provided with combined performance information that delineates between recommended and non-recommended positions.

(g) ~~Reserved.~~ “Fee / charge report”

The combined fee/charge information included in the fee / charge report must be determined based on:

- all client account security and other investment product positions held by the Dealer Member for the client in nominee name or physically in client name; and



- [all other security and other investment product positions outside of the Dealer Member, either in book-based client name or physical client name, on which the Dealer Member receives continuing compensation payments.](#)

(h) **“Secondary or subsidiary records”**

These records are made up from the blotters or other records of original entry. A brief description of such subsidiary records follows:

(i) **“Securities in transfer”**

The purpose of this item of subsection 200.2(h) is to require the keeping of a record showing all securities “sent to and held by transfer agents”. This record usually shows the number of shares or the par value, name of security, name in which it was registered, new name, date sent out to transfer, old certificate number, date received back from transfer, new certificate numbers and date on new certificate.

(ii) **“Dividends and interest received”**

For the purpose of this item of subsection 200.2(h) it is necessary that a record be maintained by the firm with respect to interest or dividends paid on bonds or stocks, held by the Dealer Member for the clients but registered in some name other than that of the client. The general practice, which would represent compliance with the rule, is to record on a ledger the security, the record date, the ex-dividend date, the payable date and the entitlement rate. The information is then recorded on the dividend sub ledger. All clients who are “long” are credited with their share of the funds received by the firm on account of the dividend or interest. All clients who are “short” on the dividend record date or the interest payable date are charged with the amount payable on their short position. All bearer securities in the firm's possession or in hypothecation on the record or interest date must be examined to determine against whom the firm must claim for payment.

(iii) **“Securities borrowed and securities loaned”**

In borrowing securities or in lending securities to other dealers or brokers, it is necessary to enter such transactions in borrowed or loaned accounts set up for each client. The securities borrowed or loaned account records the date borrowed or date loaned, name of firm from whom borrowed or to whom loaned, quantity, name of security, certificate numbers and the date returned. In some cases, these records also provide an additional column showing the interest rate or premium on stock borrowed or loaned and any collateral provided or received.

(iv) **“Monies borrowed and monies loaned, etc.”**

A record must be kept of all borrowings. This record should show the name of the client, the date, the interest rate, the amount of the loan, terms of the loan, and the date when the loan is made and when repaid. The number of shares, or principal amount in the case of bonds, name of the security, and certificate numbers of securities pledged as collateral must be recorded.

(v) **“Securities failed to receive or deliver”**

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These are subsidiary records and are based on information contained on the blotters or other records of original entry. Upon learning that a dealer or broker will fail to deliver on the settlement day, either under the agreement between the buyer and the seller or under clearing house rules, this item requires that records must be kept which show the “fail date” (i.e. the date on which delivery was due but not made), name of security, purchase price, broker or dealer from whom delivery is due, and date received. Conversely, when the firm fails to deliver, it must record the date on which delivery was due, number of shares or principal amount of bonds), name of security, to whom sold, sales price and date on which delivery is made. The total dollar amount of open items on the “fail to receive” and “fail to deliver” records should agree with the “fail to receive” and “fail to deliver” accounts in the firm's general ledger kept pursuant to subsection 200.2(b).

(i) & (j) **“Securities and commodity record or ledger”**

These sections require that the securities and commodity record be posted currently to show all positions no later than the settlement date. The record may, of course, be posted on the “trade” or execution date or any other date prior to the settlement date. Dealer Members may keep separate “securities and commodity records” or “position records” as they are often called, for equities, debt, options and for commodities. The record should show the name of the security, the clients' and other accounts which are “long” and “short” that security, the daily changes in their position, the location of each security, and the total of the long or short position for the account of clients and the firm and partners. This record should be reviewed frequently to ensure it is “in balance” (i.e. for each security or commodity the total long positions should equal the total short positions).

(k) **“Memoranda of orders”**

In this section the term “instruction” shall be deemed to include instructions between partners or directors and employees of a Dealer Member. The term “time of entry” is specified to mean the time when the Dealer Member transmits the order or instruction for execution, or if it is not so transmitted, the time when it is received.

(l) **“Trade confirmations”**

The provincial securities commissions require that every person or company registered for trading in securities who has acted as principal or agent in connection with any trade in a security shall promptly send or deliver to the client a written confirmation of the transaction, setting forth the details required in this subsection 200.2(l). A person or company or a salesperson may be identified in a written confirmation by means of a code or symbols if the written confirmation also contains a statement that the name of the person, company or salesperson will be furnished to the client on request.

(m) **“Records of cash and margin accounts”**

A margin agreement between a Dealer Member and a client shall define at least the following:

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- (i) The obligation of the client in respect of the payment of his or her indebtedness to the Dealer Member and the maintenance of adequate margin and security;
  - (ii) The obligation of the client in respect of the payment of interest on debit balances in his or her account;
  - (iii) The rights of the Dealer Member in respect of raising money on and pledging securities and other assets held in the client's account;
  - (iv) The extent of the right of the Dealer Member to make use of free credit balances in the client's account;
  - (v) The rights of the Dealer Member in respect of the realization of securities and other assets held in the client's account and in respect of purchases to cover short sales, and whether any prior notice is required, and if notice be required, the nature and extent of it and the obligations of the client in respect of any deficiency;
  - (vi) The extent of the right of the Dealer Member to utilize a security in the client's account for the purpose of making a delivery on account of a short sale;
  - (vii) The extent of the right of the Dealer Member to use a security in the client's account for delivery on a sale by the Dealer Member for his or her or its own account or for any account in which the Dealer Member, any partner therein or any director thereof, is directly or indirectly interested;
  - (viii) The extent of the right of the Dealer Member to otherwise deal with securities and other assets in the client's account and to hold the same as collateral security for the client's indebtedness; and
  - (ix) That all transactions entered into on behalf of the client shall be subject to the Rules of the Investment Industry Regulatory Organization of Canada and/or any securities exchange if executed thereon.
- (n) **“Puts, calls, and other options”**

Such a record may be kept in any suitable form which shows the date, details regarding the option, name of security, number of shares, and the expiration date; letters pertaining to such options, including those received from and addressed to clients, should be kept together with the record.

- (o) & (q) **“Money trial balances and capital computations”**

Such trial balances and computations will serve as a check upon the current status and accuracy of the ledger accounts which Dealer Members are required to maintain and keep current and will also help to keep Dealer Members currently informed of their capital positions as required under section 17.1.

A Dealer Member must keep currently informed as to the excess capital position and make a computation as often as necessary to ensure that there is adequate capital at all times; but Dealer Members must preserve only the monthly computation mentioned above. On the other hand, Dealer Members whose capital position is substantially in excess of that required,

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may omit detailed schedules and analyses in support of the computation if they apply a more stringent application of the Rule governing the computation.

For example, when calculating risk adjusted capital, inventories can be grouped into broader margin categories and maximum margin rates applied; offsetting provisions such as those contained in section 100.4 can be ignored; and assets partly allowable or of questionable value can be excluded in their entirety.

When a Dealer Member cannot prove that adequate capital exists, the firm must notify the Corporation immediately.

(r) **“Account transfer records”**

Documentation required pursuant to Rule 2300 in respect of client account transfers is expected to be by means of electronic communication. In order to protect Dealer Members and clients on account transfers and to ensure that such transfers are effected expeditiously, Dealer Members must ensure that copies of all communications sent or received in respect of account transfers are maintained in an accurate, secure and readily accessible format.

**DEFINITION (G) IN THE DEFINITIONS SECTION OF THE GENERAL NOTES AND  
DEFINITIONS TO FORM 1**

(g) “market value ~~of securities~~” of a security means:

(i) For securities, precious metals bullion and commodity futures contracts quoted on an active market, the published price quotation using:

~~1. (A) For~~ listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on the consolidated pricing list or exchange quotation sheets as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be, ~~subject to an appropriate adjustment where an unusually large or unusually small quantity of securities is being valued. If not available, the last sale price of a board lot may be used. Where not readily marketable, no market value shall be assigned.~~

(B) For unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date,

~~2. (C) For~~ all other unlisted and securities (including unlisted debt securities,) and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of debt securities, based on a reasonable yield rate. ~~Where not readily marketable, no market value shall be assigned.~~

~~3. (D) For~~ commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date.

~~4. (E) For~~ money market fixed date repurchases (no borrower call feature), ~~the market price is~~ the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. ~~Exposure due to future changes in market conditions is covered by the margin rate.~~

~~5. (F) For~~ money market open repurchases (no borrower call feature), ~~prices are to be~~ the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. ~~Market price~~ The value is to be determined as in ~~4. And~~ (E) and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment. ~~and~~

~~6. (G) For~~ money market repurchases with borrower call features, the market price is the borrower call price.

and after making any adjustments considered by the Dealer Member to be necessary to accurately reflect the market value,

(ii) Where a reliable price for the security, precious metals bullion or commodity futures contract cannot be determined:

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- (A) The value determined by using a valuation technique that includes inputs other than published price quotations that are observable for the security, either directly or indirectly; or
  - (B) Where no observable market data-related inputs are available, the value determined by using unobservable inputs and assumptions; or
  - (C) Where insufficient recent information is available and/or there is a wide range of possible values and cost represents the best value estimate that range, cost.
- (iii) Where a value cannot be reliably determined under subsections (g)(i) and (g)(ii) above, the amount used:
- (A) To report the total market value of a Dealer Member securities position; and
  - (B) To calculate the margin requirement for a client account securities position; shall be zero.



January 15, 2015

**Re: IIROC's Client Relationship Model – Phase 2 (CRM2) rule amendment proposals  
Response to public comments received on revised proposed amendments that  
were republished for further public comment on September 18, 2014**

We are publishing this letter in response to the comment letters received on IIROC's revised proposed Client Relationship Model - Phase 2 (CRM2) rule amendments, which include proposed amendments to IIROC Dealer Member Rule 200 and to Dealer Member Form 1.

We received 5 comment submissions in response to the request for public comments set out in IIROC Rules Notice 14-0214. We thank all of the commenters for their helpful submissions. This letter provides IIROC's response to these comment submissions.

**IMPLEMENTATION DATES FOR REMAINING CRM2 AMENDMENTS**

- Three commenters requested a five-and-a-half month extension to the announced July 15, 2016 implementation date for the new performance report and the new fee/charge report. In support of this request the commenters noted that:
  - Getting ready for the remaining CRM2 reporting requirements is a huge systems build affecting the client reporting provided to several million investors and, as a result, there was a “need to get it right”
  - More specifically, dealers require a significant amount of time to:
    - Enhance and validate data quality
    - Build/implement new systems to generate the new reports
    - Conduct complete regression and integration testing
    - Develop and roll out training to advisors, and
    - Prepare explanatory materials for clients
  - Revisions have been proposed in the most recent version of the IIROC CRM2 amendments published for public comment and there is a possibility that there will be further changes to the IIROC CRM2 amendments before they are implemented
  - There are other legislative changes (including tax legislation and other securities legislation changes) that need to be addressed through systems development work within the next couple of years which will put on strain on the systems development resources that might otherwise be dedicated to CRM2-related systems changes

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- Investors prefer calendar year reporting and such reporting would be less confusing to clients with varying levels of financial literacy
- Implementation risk would be reduced if Dealer Members are given the opportunity to do quality assurance testing on 2016 calendar year reports before going live with 2017 calendar year reports.

**IIROC response:**

This commenter request is being considered by IIROC in consultation with the CSA. Once a decision is made on this request, IIROC will issue a separate notice to inform Dealer Members of the decision taken.

**INCEPTION DATE OF PERFORMANCE REPORT**

- One commenter expressed the following concerns about IIROC’s proposals to permit Dealer Members to pick an inception date for client reporting purposes that is earlier than July 15, 2015:
  - Registrants should have the ability to align the inception date of their performance report with the date of their last system build or integration prior to July 15, 2015, but the option to use July 15, 2015 should also remain available to firms that may have already commenced systems development using the July 15, 2015 date
  - An additional option not considered in the proposed IIROC rule amendments would be for firms to be able to select a January 1, 2016 inception date so that, for firms wishing to provide calendar year reports, one-year performance information could be provided to clients as part of the December 31, 2016 performance report.
  - The link between the inception date used for performance reporting and the inception date used for position cost information reporting should be removed
  - All sections of the rules where the July 15, 2015 date appears should be amended to incorporate the commenter’s recommended revised inception date flexibility

**IIROC response:**

Proposed Dealer Member Rule section 200.3 was introduced in the revised proposed IIROC CRM2 amendments republished for further comment on September 18, 2014 for the sole purpose of allowing IIROC Dealer Members the option of picking an “inception date” for client reporting purposes that is a date earlier than July 15, 2015. As such is the case, we believe the first comment above is already adequately addressed within the existing drafting of proposed Dealer Member Rule section 200.3.

In response to the second comment, that the proposed IIROC rule amendments did not consider the possibility to allow firms to use a January 1, 2016 “inception date”, this option is not viable unless IIROC, the MFDA and the CSA collectively agree to defer the implementation date of the 2015 and 2016 CRM2 amendments to January 1, 2016 and January 1, 2017, respectively. Specifically, the final CSA rules and the current draft rules of IIROC and the MFDA all envisage that the first performance report issued will include one year performance



information and “since inception” performance information that generally covers at least a two year period - the exception would be new accounts opened within the past two years. As a result, allowing Dealer Members to use later than July 15, 2015 “inception date”, without also changing the implementation date of the 2015 and 2016 CRM2 amendments, would result in less than the minimum of two-years of “since inception” information, which would diminish the value of the first performance report provided to clients.

Regarding the commenter’s third suggestion, because we believe that the current drafting of proposed Dealer Member Rule 200.3(b) may create an incentive for Dealer Members to provide clients with individual position cost information, activity information and percentage return information as at the latest date that all three information types are available, we agree with the commenter’s suggestion to remove the “link” in the current proposed provision, between the inception date that must be used for reporting performance information and the inception date that must be used for reporting position cost information. To incorporate this suggestion, proposed Dealer Member Rule subsection 200.3(b) has been revised to remove this link, while maintaining the requirement that the same inception date must be used for “all similar clients” for reporting both performance information and position cost information.

Regarding the commenter’s fourth suggestion, we believe all performance reporting related sections where the July 15, 2015 date appears, have already been captured within the current drafting of proposed Dealer Member Rule subsection 200.3(a).

**“BOOK COST” DEFINITION**

- Two commenters requested changes to IROC’s proposed definition of “book cost” in order to address the following issues:
  - To ensure that the definition of “book cost” for a short security position is clear, the brackets around the words “other than dividends” should be added
  - The “book cost” definition needs to be amended to allow for situations where changes in tax legislation or related tax regulations result in changes to the “adjusted tax cost” definition on which the “book cost” definition is based
  - The “book cost” definition needs to be amended to allow for revision to the reported amount in situations where a client has made an individual tax election and requests that the reported amount be revised to reflect the impact of the election
  - Where “book cost” information for a particular client position is sent to a Dealer Member from the organization that just previously held the position, the Dealer Member should be able to use the information provided as the opening “book cost” for the position at their firm.

**IIROC response:**

Regarding the first of the commenter requested changes, the revised draft of the definition of “book cost” has been amended to include brackets around the text “other than dividends” in order to clarify the meaning of proposed Dealer Member Rule clause 200.1(a)(ii).

Regarding the second of the commenter requested changes, we do not believe that this change is necessary as, other than in the case of individual tax elections, the current definition of “book cost” set out in Dealer Member Rule subsection 200.1(a) is already substantially the same as the “adjusted tax cost” definition set out in tax legislation and the “book cost” definition language is already broad enough to address situations where the calculation approach is changed for a particular type of adjustment, such as a corporate action.

Regarding the third the commenter requested changes, the question of whether this change should be made is still being assessed by IIROC and the CSA CRM2 Committee. If this change is approved, IIROC will work on a coordinated basis with the MFDA and the CSA to make the necessary housekeeping amendments to our respective rule definitions/requirements in early 2015.

Regarding the fourth of the commenter requested changes, IIROC agrees that where a Dealer Member receives individual cost information from another Dealer Member, other registered dealer or registered adviser in relation to either an account transfer or a position transfer, the Dealer Member should be able to rely on the information provided. To adopt this change, IIROC will work on a coordinated basis with the MFDA and the CSA to make the necessary housekeeping amendments to our respective definitions/requirements in early 2015.

**REQUIRED INDIVIDUAL POSITION COST STATEMENT/REPORT NOTIFICATIONS**

- Two commenters suggested that the following changes be made to the mandatory statement / report notifications that must be provided when point in time market value is reported as the individual position cost for a security position instead of cost information:
  - The proposed requirement to disclose the actual date of transfer in situations where market value as at transfer date is reported as the individual position cost is overly onerous and would result in the disclosure of multiple dates in situations where an account position is created by the receipt of multiple transferred in quantities of the same security issue - it is recommended that the current requirement in paragraph 200.1(b)(i)(B)(II) to refer to the specific date of transfer be eliminated.
  - The proposed requirement to disclose the “inception date” that is being used by the Dealer Member for position cost reporting purposes where point in time market value information is provided (as at a date that is on or before July 15, 2105) is overly onerous - it is recommended that the current requirement in sub-clause 200.1(b)(ii)(B) to refer to “inception date” that is being used by the Dealer Member for position cost reporting purposes be eliminated.

**IIROC response:**

Regarding the first commenter request, IIROC agrees that it would be difficult to track and report date of transfer information, particularly in situations where a position was created as a result of numerous transfers in of quantities of the same security. To address the commenter request we have revised the notification language in proposed Dealer Member Rule paragraph 200.1(b)(i)(B)(II) to no longer refer to the specific date of transfer.

Regarding the second commenter request, the commenter included no specific arguments to support their request that the notification language in proposed Dealer Member Rule sub-clause 200.1(b)(ii)(B) exclude a reference to the specific date used and did not mention that the corresponding requirement in sub-paragraph 14.14.2(2)(b)(ii) of National Instrument 31-103 requires disclosure of the specific date used. Specific to the request, we do not see how systems issues arise when position market value information is provided instead of position cost information for existing account positions as at the rule implementation date and the date of the market value information must be provided as a note disclosure. Rather, the date would be one date - either July 15, 2015 or an earlier date chosen by the dealer and the date disclosed would not change over time. We therefore see no need to revise the notification language in proposed Dealer Member Rule sub-clause 200.1(b)(ii)(B) to exclude a reference to a specific date.

**EXEMPTION FROM REPORTING ON OFF-BOOK CLIENT NAMED POSITIONS UNDER CERTAIN CIRCUMSTANCES**

- Three commenters indicated that they supported IIROC granting to certain qualifying Dealer Members an exemption from the requirement to report to clients on off-book client positions.
- Another commenter expressed concerns that the result of IIROC granting any such exemptions would be that investors would not receive fee/charge or performance information about these off-book positions - to address these concerns the commenter suggests additional investor impact-focused factors that IIROC should consider when deciding upon whether to grant an exemption and recommends that IIROC publish information disclosing the number of such exemption requests, the number of exemptions granted and the basis on which they are granted.

**IIROC response:**

In considering any exemption requests received IIROC will consider many factors, including investor impact-focused factors. Specific to investor impacts, we will also consider:

- Whether investors were given a choice to switch their holdings to nominee-named holdings in order to receive this information
- The type of information investors will not have access to if they continue to keep their holdings in client name
- Whether requiring the Dealer Member to build off-book client name reporting for their remaining investors that keep their holdings in client name, would result in a significant increase in the Dealer Member's cost structure, which could impact the overall costs borne

by all of the dealer's clients

Regarding the commenter suggestion that IIROC publish information regarding any exemption requests, we can confirm that information relating to this type of exemptive relief will be published as part of the annual exemptions notice published by IIROC.

**IIROC DEALER MEMBER ACCESS INFORMATION REQUIRED TO MEET REPORTING OBLIGATIONS TO CLIENTS**

- One commenter noted that two comment letters received by IIROC in response to the previous publication of the IIROC CRM2 proposals recommended that National Instrument 31-103 be amended “to require that investment fund managers and other issuers or holders of securities held outside registered dealers provide to registered dealers the necessary position information (including position quantity, market value and cost information) to meet their client reporting requirements on a timely basis.”<sup>6</sup> and that IIROC had supported this recommendation and passed it along to CSA staff for their consideration. The commenter also indicated their support for the previous recommendation if it would assist in the important end goal of getting the necessary information into the hands of investors at the least cost to the investor.

**IIROC response:**

We agree with the commenter's perspective, that it is an important end goal to get the necessary information into the hands of investors at the least cost to the investors. It is for this reason that we previously supported the recommendation of two commenters that National Instrument 31-103 be amended to require that investment fund managers and other issuers be required to provide dealers with the position information necessary to enable the registered dealers to meet their reporting obligations to clients on a timely basis. We continue to support the making of amendments to National Instrument 31-103 to codify such an issuer information delivery requirement.

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<sup>6</sup> IIROC Rules Notice 14-0214, Attachment D, at page 5.