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Rule Connection: IDPC Rules / MFD Rules

Division: Investment Dealer / Mutual Fund Dealer

Enhanced Cost Reporting

Executive Summary

The Canadian Securities Administrators (**CSA**) have approved amendments to the client reporting requirements in CIRO Rules (**Amendments**). The Amendments are to both the Investment Dealer and Partially Consolidated (**IDPC**) Rules and the Mutual Fund Dealer (**MFD**) Rules and were published for comments in CIRO Rules Bulletin [24-0288](#).

The Amendments seek to further investor protection by mandating enhanced transparency of investment fund costs and ensuring regulatory alignment on the matter.

The Amendments will be effective on January 1, 2026, as indicated in section 4 of this bulletin.

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1. Background

On April 20, 2023, the Canadian Securities Administrators (**CSA**) and the Canadian Council of Insurance Regulators (**CCIR**) jointly published the Total Cost Reporting Enhancements (**TCR Enhancements**), with the objective of enhancing the cost disclosures for investment funds and segregated fund contracts.¹ These enhancements consist of:

- amendments to National Instrument 31-103, and corresponding changes to Companion Policy 31-103CP, with impact on securities registrants (i.e. the CSA's TCR Enhancements); and
- the Individual Variable Insurance Contract Ongoing Disclosure Guidance, with impact on insurers offering segregated fund contracts (Insurance Guidance).

To ensure regulatory alignment on the matter, we proposed our own amendments to the reporting requirements in CIRO rules. The Amendments introduce new requirements and amend existing requirements in both the IDPC Rules and the MFD Rules (altogether referred to as **CIRO Rules** in this bulletin). The Amendments consist, to the extent feasible, of equivalent requirements for both investment dealers and mutual fund dealers.

2. Comments received

We received (7) seven comment letters in response to Bulletin 24-0288. We provide a summary of these comments and our response in **Appendix E**.

Some commenters requested further clarification and guidance on certain aspects of the TCR Enhancements. CIRO will issue future guidance in the context of the consolidated CIRO rules.² In the meantime, we encourage Dealers to refer to the Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and the accompanying sample of the annual cost and compensation report for further guidance.

3. The Amendments

This section provides a high-level summary of the Amendments.³ No changes to the Amendments, as proposed in Bulletin 24-0288, are necessary following the publication for comments.

The Amendments consist of the following:

- *Total cost reporting enhancements*, which correspond to, and are materially harmonized with, the CSA's TCR Enhancements. Consistent with the CSA's TCR Enhancements, under our amended rules Dealers are required to report in the annual fee/charges report to clients for the account, as

¹ The CSA and CCIR Joint Notice of Publication can be found on CSA members' websites and on the CCIR website, under the title *CSA and CCIR Notice of Publication – CCIR Individual Variable Insurance Contract Ongoing Disclosure Guidance and Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and to Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations – Total Cost Reporting (TCR) for Investment Funds and Segregated Funds*.

² A review is currently underway for the IDPC Rules and MFD Rules, with the goal of consolidating them into the consolidated CIRO Rules. For further information and updates on this project refer to [CIRO's website](#).

³ Please refer to Bulletin 24-0288 for a detailed discussion of the Amendments, including their rationale and impact.

a whole, for all investment fund securities⁴ owned by the client during the reporting period the following new, or enhanced, information:

- (i) the total (aggregate sum) amount of fund expenses, in dollars, for all investment fund securities,
- (ii) the total (aggregate sum) amount of direct investment fund charges, in dollars, for all investment fund securities,
- (iii) the fund expense ratio, as a percentage, for each investment fund class or series of securities,
- (iv) the aggregate total amount of the reported fund expenses and charges listed under (i) and (ii) above, and
- (v) the aggregate total amount of investment fund costs (listed under (iv) above) and Dealer operating and transaction charges, currently reportable under CIRO Rules.

Furthermore, the Amendments:

- specify the method for calculating the aggregate amount of fund expenses;
 - expand the notifications in the annual fee / charges report, to better assist the clients in understanding what is being reported and what is not;
 - clarify Dealer responsibility with regards to the reportable fee information and use of reasonable approximations;
 - provide for reporting exemptions.
- *Additional related amendments*, specific to CIRO Rules, that further clarify and align our reporting requirements and add efficiency to our exemption process. More specifically, these amendments:
 - clarify Dealer responsibility for reporting the required investment fund fees and charges, even when such fees and charges are not paid directly or indirectly to the Dealer;
 - maintain the existing annual reporting exemptions with regards to institutional clients for investment dealers and extend them to mutual fund dealers;
 - clarify the reporting responsibility in the situation of shared service arrangements; and
 - set out CIRO's staff authority to exempt Dealers from certain client reporting requirements with regards to client outside holdings [client name holdings].
 - *Other non-material amendments*, to improve rule drafting clarity and consistency.

The text of the Amendments to the IDPC Rules and the MFD Rules is set out in **Attachments A and B**, respectively. A blackline of the changes compared to the current CIRO Rules is set out in **Attachments C and D**.

⁴ Most of investment funds fall within the scope of the enhanced cost reporting, including mutual funds, ETFs, scholarship plans and foreign funds made available to the Canadian investors. Prospectus exempt funds and labour sponsored investment funds, however, are excluded from these reporting requirements.

4. Exemptions

In compliance with the amended CIRO Rules,⁵ CIRO staff will consider Dealer requests for exemptions from the quarterly and the annual reporting requirements with regards to client outside holdings [client name] positions.⁶ Staff may grant exemptions when it is satisfied that:

- the costs of requiring the Dealer Member to comply with the reporting requirements significantly outweigh the benefits to the Dealer Member's clients from reporting under these requirements; and
- granting such exemption would not prejudice the interests of the Dealer Member's clients, the public or the Dealer Member.

As indicated in Bulletin 24-0288, staff will make its cost/benefit determination consistent with past practices and on the basis of criteria that are similar, or comparable, to those at the basis of the CRM exemptions on outside holdings.⁷ As such, staff will consider exemption requests from Dealers who can demonstrate that the costs of building and administering reporting capability for client outside holdings [client name] positions significantly outweigh the benefits to the client from such reporting. The criteria at the basis of staff determination include the requesting Dealer Member:

- making good faith effort to convert outside holding [client name] positions into on-book nominee name positions;
- not maintaining a material number or amount of outside holding [client name] positions;
- not promoting, or otherwise actively making available, the option of holding outside holding [client name] positions; and
- not receiving any ongoing compensation on the outside holding [client name] positions.

A Dealer Member who intends to apply for outside holdings exemptions under new IDPC Rule section 3847 and/or MFD Rule section 5.8 should follow the process, and provide the information, set out in the [Exemption Application \(Outside Holdings\) form](#) available on CIRO's website.

Although staff have the authority to grant exemptions from the date the Amendments come into effect, we encourage Dealers to begin the application process ahead of the implementation date.

Dealers with active outside holding exemptions, such as CRM exemptions, must evaluate if their exemptions need to be expanded due to the Amendments. This includes situations where the exempt outside holdings incur investment fund fees that will need to be reported following the implementation of the Amendments, unless the Dealer is exempt from such reporting. CRM exemptions that specifically exempt a Dealer from the quarterly and annual performance reporting requirements do not automatically exempt such a Dealer from the annual fee/charge reporting requirement, including the enhanced reporting of fund fees. The same applies with regards to those CRM exempt Dealers who were

⁵ New IDPC Rule section 3847 and new MFD Rule section 5.8.

⁶ See the definition of outside holdings in IDPC Rule subsection 3802(1), as amended under the Amendments. The equivalent concept under the MFD Rules is client name assets.

⁷ Refer to IIROC Notice [15-0274](#) for details on the CRM exemptions on outside holdings.

allowed, as an exception, to keep the compensation with regard to certain exempt RESP/RDSP outside holdings.

5. Implementation

To align with the effective date of the CSA's TCR Enhancements, the Amendments will take effect on January 1, 2026. Dealer Members are expected to deliver the first enhanced annual fee / charges report incorporating the required information under the Amendments for the year ending December 31, 2026.

6. Appendices

[Appendix A](#) - Clean copy of the Amendments to the IDPC Rules

[Appendix B](#) - Clean copy of the Amendments to the MFD Rules

[Appendix C](#) - Blackline comparison of the Amendments to the current IDPC Rules

[Appendix D](#) - Blackline comparison of the Amendments to the current MFD Rules

[Appendix E](#) - Summary of public comments received

Appendix A – Clean copy of the Amendments

Investment Dealer and Partially Consolidated Rules

RULE 1200 | DEFINITIONS

1201. Definitions

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(2) The following terms have the meanings set out when used in the *Corporation requirements*:

"market value"	(i) For the purposes of the monthly, quarterly, and annual reporting for <i>securities, derivatives</i> and precious metals bullion: . . . (b) where a reliable price cannot be determined: . . . (III) where insufficient recent information is available or there is a wide range of possible values and <i>position cost</i> (defined in subsection 3802(1)) represents the best value estimate within that range: (A) <i>position cost</i> , and
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3802. Definitions

(1) The following terms have the meaning set out below when used in Rule 3800:

<p>“direct investment fund charge”</p>	<p>The amount charged to a client if the client buys, holds, sells or switches <i>securities</i> of an investment fund, including any taxes paid on that amount, other than, for greater certainty, an amount included in the investment fund’s fund expenses.</p>
<p>“fund expenses per security for the day”</p>	<p>The fund expenses per <i>security</i> of the applicable class or series of <i>securities</i> of the investment fund for the day that the client owned those <i>securities</i>, expressed in dollars, and determined by using the following formula: A x B = C where: <i>A</i> = the <i>fund expense ratio</i> for the day of the applicable class or series of <i>securities</i> of the investment fund; <i>B</i> = the <i>market value</i> of a <i>security</i> for the day of the applicable class or series of <i>securities</i> of the investment fund; <i>C</i> = the fund expenses per security for the day in dollars for the investment fund class or series of <i>securities</i>; and where: (i) reasonable necessary adjustments to A or B are made to accurately determine C, or (ii) reasonable approximations of any or all of A, B and C are used, subject to subsections 3811(5) and 3811(6).</p>
<p>“fund expense ratio”</p>	<p>The sum of an investment fund’s <i>management expense ratio</i> and <i>trading expense ratio</i>, expressed as a percentage.</p>
<p>“management expense ratio”</p>	<p>The same meaning as in section 1.1 of National Instrument 81-106 <i>Investment Fund Continuous Disclosure</i>.</p>

<p>“newly-established investment fund”</p>	<p>An investment fund that:</p> <ul style="list-style-type: none"> (i) has yet to file the required management report of fund performance, as defined in section 1.1 of National Instrument 81-106 <i>Investment Fund Continuous Disclosure</i>, or (ii) is established less than 12 months before the end of the period covered by the fee/charges report the <i>Dealer Member</i> is required to deliver pursuant to section 3811.
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<p>“outside holdings”</p>	<p>Client positions that are neither held at or under the control of the <i>Dealer Member</i>:</p> <ul style="list-style-type: none"> (i) in <i>securities</i> 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 <i>applicable laws</i> and the <i>Dealer Member</i> is the dealer of record for the client on the records of the issuer of the <i>security</i> or the records of the issuer’s investment fund manager, or (ii) in any other <i>security, derivative</i> or precious metals bullion positions on which the <i>Dealer Member</i> receives continuing compensation payments related to the client’s ownership of the position from the issuer of the position, the investment fund manager of the issuer or any other party.
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<p>“position cost”</p>	<p>For each <i>security</i> position in the account and each <i>security</i> position subject to the additional reporting obligation under section 3809:</p> <ul style="list-style-type: none"> . . . (iii) where the <i>Dealer Member</i> reasonably believes it cannot determine the <i>position cost</i> in accordance with clause (i) and sub-clause (ii)(b) of this definition, the <i>Dealer</i> must include the following notification or a notification that is substantially similar: <p style="margin-left: 40px;">“The [book cost/original cost] of this security position cannot be determined.”</p>
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<p>total amount of fund expenses”</p>	<p>The amount, expressed in dollars, determined by adding together the daily fund expenses for each class or series of <i>securities</i> of each</p>
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	<p>investment fund owned by the client for each day that the client owned it during the reporting period, using the following formula to calculate the daily fund expenses:</p> <p>A x B = C</p> <p>where:</p> <p><i>A = the fund expenses per security for the day of the applicable class or series of securities of the investment fund;</i></p> <p><i>B = the number of the applicable class or series of securities of the investment fund owned by the client for that day;</i></p> <p><i>C = the daily fund expenses in dollars for a class or series of securities of the investment fund.</i></p> <p>A reasonable approximation of the total amount of fund expenses may be used, subject to subsections 3811(5) and 3811(6).</p>
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<p>“trading expense ratio”</p>	<p>The ratio, expressed as a percentage, of the total commissions and other portfolio transaction costs incurred by an investment fund to its average net asset value, calculated in accordance with paragraph 12 of item 3 of Part B of Form 81-106F1 <i>Contents of Annual and Interim Management Report of Fund Performance</i> of National Instrument 81-106 <i>Investment Fund Continuous Disclosure</i>.</p>
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3808. Client account statements

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(4) 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:

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- (vi) where the client is a *retail client* and the statement is a quarterly statement, the statement must also include:
 - (a) for each *security, derivative* and precious metals bullion position in the account:
 - (I) where the *position cost* is determinable, either the *position cost* or the total *position cost*, and
 - (II) where the *position cost* is not determinable, the notification required pursuant to clause (iii) of the definition of *position cost* in subsection 3802(1),
 - and
 - (b) 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:
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- (viii) where the client is a *retail client* and the statement is a quarterly statement, the total cost of all cash, *security, derivative* and precious metals bullion positions in the account.

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3809. Report on client positions held outside of the Dealer Member

- (1) A *Dealer Member* must send a quarterly report on *outside holdings* (report to be called “Report on client positions held outside of the *Dealer Member*”) to each *retail client* who, at the end of the quarter has one or more *outside holdings*.
- (2) 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:
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 - (iii) for each position:
 - where the *position cost* is:

- (a) determinable, either the *position cost* or the total *position cost*, and
- (b) not determinable, the notification required pursuant to clause (iii) of the definition of *position cost* in subsection 3802(1),
- (iv) 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:

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- (vi) the total *position cost* of all positions, and

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3811. Fee/charge report

- (1) A *Dealer Member* must send a fee/charge report to each *retail client* 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:
 - (i) an account, or
 - (ii) holds one or more *outside holdings* for which quarterly reporting pursuant to section 3809 is required,
 and
 - (iii) such client paid either directly or indirectly any fee, charge or other payment, reportable under subsection 3811(2) during the period covered by the report.
- (2) 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:
 - (i) a discussion of the *operating charges* which might be applicable to the client's account,

- (ii) 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,
- (iii) 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,
- (iv) the total amount of each type of *transaction charge* related to the purchase or sale of *securities* and precious metals bullion and transactions in *derivatives* paid by the client during the period covered by the report,
- (v) 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,
- (vi) the aggregate total amount of all charges reported under clauses 3811(2)(iii) and 3811(2)(v),
- (vii) if the *Dealer Member* purchased or sold *debt securities* for the client during the period of the report, either of the following:
 - (a) 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*,
 - (b) 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.”,
- (viii) 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* or *derivatives* 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,
- (ix) 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 fund's return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund." ²

- (x) if the client owned investment fund *securities* during the period covered by the report, the following information about those *securities* for such period:
 - (a) the *total amount of fund expenses* charged to the investment fund by its investment fund manager or any other party, after making the necessary adjustments to add performance fees and deduct fee waivers, rebates or absorptions, but excluding any charges reported as *transaction charges* under clause 3811(2)(iv),
 - (b) the total amount of *direct investment fund charges* charged to the client by the investment fund, investment fund manager or any other party, excluding any charges reported as *transaction charges* under clause 3811(2)(iv),
 - (c) the aggregate total amount of all expenses and charges reported under subclauses 3811(2)(x)(a) and 3811(2)(x)(b),
 - (d) the aggregate total amount of all *Dealer Member* charges and investment fund expenses and charges reported under clause 3811(2)(vi) and subclause 3811(2)(x)(c),
 - (e) the *fund expense ratio* of each class or series of *securities* of each investment fund, including any performance fees and deducting any fee waivers, rebates or absorptions,
 - (f) the following disclosures:
 - (I) if information reported under subclauses 3811(2)(x)(a), 3811(2)(x)(b) and 3811(2)(x)(e) is based on an approximation or any other assumption, a notification that this is the case,
 - (II) in relation to any *direct investment fund charges* charged to the client, other than deferred sales charges, a short explanation of the type of fees that were charged,
 - (III) in relation to the *total amount of fund expenses* reported, the following notification or a notification that is substantially similar:

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

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

- (IV) in relation to the *fund expense ratios* required to be reported under subclause 3811(2)(x)(e), the following notification or a notification that is substantially similar:

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

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

- (V) in relation to any deferred sales charges paid by the client, the following notification or a notification that is substantially similar:

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

- (VI) in relation to an investment fund or *securities* of an investment fund where the manager of the investment fund is incorporated, continued or organized under the laws of a foreign jurisdiction, and the information reported for those *securities* under subclauses 3811(2)(x)(a), 3811(2)(x)(b) and 3811(2)(x)(e) is based on information disclosed under the laws of a foreign jurisdiction, the following notification or a notification that is substantially similar:

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

- (VII) in relation to any structured product, labour sponsored investment fund or investment fund the *securities* of which are distributed solely under an exemption from the prospectus requirement in compliance with *securities laws*, the following notification or a notification that is substantially similar:

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

- (xi) if the *Dealer Member* knows or has reason to believe that the client paid, to third parties, custodial fees, intermediary fees or interest charges related to *securities*, precious metals bullion and *derivatives* owned by the client during the period covered by the report and those fees or charges are not required to be reported to the client by the *Dealer Member* under this section, the following notification or a notification that is substantially similar

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

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

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

- (3) A *Dealer Member* may exclude the information required under subclauses 3811(2)(x)(a) and 3811(2)(x)(e) and any approximations of such information for a newly established investment fund in which case the following notification or a notification that is substantially similar must be included in the report:

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

- (4) A *Dealer Member* is not required to report the information under subclauses 3811(2)(x)(a), 3811(2)(x)(b), 3811(2)(x)(e), and any approximations of such information, or the disclosures under paragraphs 3811(2)(x)(f)(I) to 3811(2)(x)(f)(V) and clause 3811(2)(xi) with regards to:

- (i) a labour sponsored investment fund, or
- (ii) an investment fund whose *securities* are distributed solely under an exemption from the prospectus requirement in compliance with *securities laws*.

- (5) A *Dealer Member* is permitted to report a reasonable approximation of the information required under subclauses 3811(2)(x)(a), 3811(2)(x)(b) and 3811(2)(x)(e), when relying on reasonable approximations to determine such information pursuant to subsection 3811(6).

- (6) For the purposes of reporting the information under subclauses 3811(2)(x)(a), 3811(2)(x)(b) and 3811(2)(x)(e) and the disclosures under paragraphs 3811(2)(x)(f)(I), 3811(2)(x)(f)(II), 3811(2)(x)(f)(V) and 3811(2)(x)(f)(VI), the *Dealer Member* must:
 - (i) rely on the information provided by the investment fund manager, pursuant to section 14.1.1 of National Instrument 31-103, unless the *Dealer Member* reasonably believes the information provided is incomplete or misleading, and
 - (ii) where no reliable information can be obtained pursuant to clause 3811(6)(i), make reasonable efforts to obtain or determine by other means the required information, or a reasonable approximation of such information, and
 - (iii) where it reasonably believes it cannot obtain or determine under clause 3811(6)(ii) information that is not misleading, exclude such information and disclose in the relevant statement or report that the information is excluded from calculations or not reported.
- (7) For the purposes of this section 3811, the information in respect of *security, derivative* and precious metals bullion positions of a client required to be reported under section 3808 must be provided in a separate report for each of the client's accounts.
- (8) For the purposes of this section 3811, the information in respect of *outside holdings* of a client required to be reported under section 3809 must be included in the report for each of the client's accounts through which these positions were transacted.
- (9) Subsections 3811(7) and 3811(8) 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 *outside holdings* of a client required to be reported under section 3809 provided:
 - (i) the client has consented in writing to receiving a consolidated report, and
 - (ii) the report that is sent specifies the accounts and *outside holdings* for which the consolidated information is being provided.
- (10) 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 subsection 3811(9), must:
 - (i) be prepared for the same 12-month period, and
 - (ii) include aggregated information for the same accounts and *outside holdings*, as the annual performance reports that are sent to the same client.
- (11) Where a *retail client* has an account with positions in futures contracts, forward contracts, contracts for difference, foreign exchange contracts and similar *derivatives*, the *Dealer Member* shall not be required to send an annual fee/charge report under this section 3811, provided the *Dealer Member* sends the client a monthly or quarterly statement which includes the following information about the client's account for the period covered:
 - (i) itemized transaction charge and operating charge information in accordance with this section 3811, and

- (ii) if applicable, itemized information on compensation received by the *Dealer Member* in connection with a transaction.
- (12) For purposes of clause 3811(11)(ii), the following information will be acceptable where the compensation received by the *Dealer Member* relates to a bulk distribution arrangement:
- (i) a calculated product distribution compensation amount, or
 - (ii) where the distribution compensation amount cannot be unbundled from the manufacturer compensation amount,
 - (a) the entire compensation amount, and
 - (b) a note explaining that the amount disclosed is the entire product compensation amount.

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3835. Option of earlier date

- (1) *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 [Definition of *cost* in subsection 3802(1) and clauses 3808(3)(vii) and 3808(3)(ix)],
 - (ii) *position cost* information included in the report on client positions held outside of the *Dealer Member* [Definition of *position cost* in subsection 3802(1) and clauses 3809(2)(iii) and 3809(2)(vi)],
- that is prepared as at a date earlier than December 31, 2015.

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- (3) Where the option in subsection 3835(1) is pursued, all of the *position cost* information referenced in clauses 3835(1)(i) and 3835(1)(ii) must be prepared for all similar clients as at the same date.

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3846. Client reporting responsibility

(1) A *Dealer Member* who acts as a *carrying broker*, or only provides trade execution, clearing, settlement or custody services or a combination of these services, to another *Dealer Member*, *Mutual Fund Dealer Member*, *portfolio manager*, *exempt market dealer* or their respective clients, with regards to a client account or *outside holding* positions, is exempt from the responsibility to send:

- (i) a performance report to the client, pursuant to section 3810, and
- (ii) a fee/charge report to the client, pursuant to section 3811, except for its own service fees and charges to the client,

regarding such a client account or *outside holding* positions, unless it has undertaken to send such reports on behalf of the other *Dealer Member*, *Mutual Fund Dealer Member*, *portfolio manager* or *exempt market dealer* pursuant to an outsourcing or service arrangement.

3847. Corporation exemptions

- (1) The *Corporation* may exempt a *Dealer Member* from the applicable reporting requirements under sections 3809, 3810 and 3811 with respect to client's *outside holdings*, when the costs of requiring the *Dealer Member* to comply with such requirements significantly outweigh the benefits to the *Dealer Member's* clients from reporting under these requirements.
- (2) The *Corporation* will grant such exemption if it is satisfied that to do so would not prejudice the interests of the *Dealer Member's* clients, the public or the *Dealer Member*.
- (3) In granting an exemption under section 3847, the *Corporation* may impose any terms and conditions it considers necessary.

3848. – 3899. Reserved.

Appendix B – Clean copy of the Amendments

Mutual Fund Dealer Rules

**1 RULE 1A. APPLICATION, INTERPRETATION, EXEMPTIONS,
AND DEFINITIONS**

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Definitions

In these Rules unless the context otherwise specifies or requires:

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“institutional client” has the same meaning as in subsection 1201(2) of the Corporation’s Investment Dealer and Partially Consolidated Rules.

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RULE 5 - BOOKS, RECORDS AND REPORTING

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5.3. Client Reporting

(1) Definitions

For the purpose of client reporting requirements under Rule 5.3:

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- (c) “direct investment fund charge” means the amount charged to a client if the client buys, holds, sells or switches securities of an investment fund, including any federal, provincial or territorial sales taxes paid on that amount, other than, for greater certainty, an amount included in the investment fund’s fund expenses;
- (d) “fund expenses per security for the day” means the fund expenses per security of the applicable class or series of securities of the investment fund for the day that the client owned those securities, expressed in dollars, and determined by using the following formula:

$$A \times B = C$$

where:

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

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

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

and where:

- (i) reasonable necessary adjustments to A or B are made to accurately determine C, or
 - (ii) reasonable approximations of any or all of A, B and C are used, subject to subsections 5.3.3(4) and 5.3.3(5);
- (e) “fund expense ratio” means the sum of an investment fund’s management expense ratio and trading expense ratio, expressed as a percentage;
 - (f) “investment” means any asset, excluding cash, held or transacted in an account of the Member;
 - (g) “management expense ratio” has the same meaning as in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;
 - (h) “marketplace” has the same meaning as in section 1.1 of National Instrument 21-101 *Marketplace Operation*;
 - (i) “market value” of a security has the meaning given to it under Form 1;
 - (j) “newly-established investment fund” means an investment fund that:

- (i) has yet to file the required management report of fund performance, as defined in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, or
- (ii) is established less than 12 months before the end of the period covered by the report on charges and other compensations the Member is required to deliver pursuant to section 5.3.3;
- (k) “operating charge” means any amount charged to a client by a Member in respect of the operation, transfer or termination of a client’s account and includes any federal, provincial or territorial sales taxes paid on that amount;
- (l) “original cost” means the total amount paid to purchase an investment, including any transaction charges related to the purchase;
- (m) “position cost” for each investment position in the account means, subject to paragraphs (i), (ii) and (iii), either “book cost” or “original cost”, provided that only one cost calculation methodology, either “book cost” or “original cost,” is used for all positions;
 - (i) **Investment Positions Opened before December 31, 2015.** For investment positions opened before December 31, 2015, means cost, as determined in accordance with subsection 5.3(1)(m), above; or the market value of the investment position as at December 31, 2015 or an earlier date, if the Member reasonably believes accurate, recorded historical market value information is available for the client’s account and it would not be misleading to the client to provide that information as at the earlier date;
 - (ii) **Investment Positions Transferred In:** For investment positions transferred into an account at the Member, means cost as determined in accordance with subsection 5.3(1)(m), above; or the market value of the investment position as at the date of the position’s transfer if it is also disclosed in the account statement that it is the market value, not the cost of the investment position, that is being disclosed; and
 - (iii) **Where Cost Not Determinable:** Where a Member reasonably believes that it cannot determine the position cost in respect of an investment position, the Member must provide disclosure of that fact in the statement.
- (n) “related issuer” has the same meaning as in section 1.1 of National Instrument 33-105 *Underwriting Conflicts*;
- (o) “total amount of fund expenses” means the amount, expressed in dollars, determined by adding together the daily fund expenses for each class or series of securities of each investment fund owned by the client for each day that the client owned it during the reporting period, using the following formula to calculate the daily fund expenses:

$$A \times B = C$$

where:

A = the fund expenses per security for the day of the applicable class or series of securities of the investment fund;

B = the number of the applicable class or series of securities of the investment fund owned by the client for that day;

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

A reasonable approximation of the total amount of fund expenses may be used, subject to subsections 5.3.3(4) and 5.3.3(5);

- (p) “trading expense ratio” means the ratio, expressed as a percentage, of the total commissions and other portfolio transaction costs incurred by an investment fund to its average net asset value, calculated in accordance with paragraph 12 of item 3 of Part B of Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance* of National Instrument 81-106 *Investment Fund Continuous Disclosure*;
- (q) “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;
- (r) “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 Member or Approved Person by any party;
- (s) “transaction charge” means any amount charged to a client by a Member and includes any federal, provincial or territorial sales taxes paid on that amount.

5.3.2 Content of Account Statement

Each account statement must contain the following information:

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(c) **Market Value and Cost Reporting.**

for all investments in an account at the Member:

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(ii) as at the end of the period for which the statement is made:

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(C) the position cost of each investment position presented on an average cost per unit or share basis or on an aggregate basis, and determined as at the end of the applicable period. Where market value is used to determine the position cost of an investment position, disclosure of that fact must be provided in the account statement;

(D) the total position cost of all investment positions;

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5.3.3 Report on Charges and Other Compensation

(1) **Content of Report on Charges and Other Compensation.** For each 12 month period, a Member must deliver to a client a report on charges and other compensation containing the following information, except that the first report delivered after a client has opened an account may cover a period of less than 12 months:

(a) the Member's current operating charges which might be applicable to the client's account;

- (b) the total amount of each type of operating charge related to the client's account paid by the client during the period covered by the report, and the total amount of those charges;
- (c) the total amount of each type of transaction charge related to the purchase or sale of securities paid by the client during the period covered by the report, and the total amount of those charges;
- (d) the total amount of the operating charges reported under subsection (b) and the transaction charges reported under subsection (c);
- (e) if the Member purchased or sold debt securities for the client during the period covered by the report, either of the following:
 - (i) the total amount of any mark-ups, mark-downs, commissions or other service charges the Member applied on the purchases or sales of debt securities;
 - (ii) the total amount of any commissions charged to the client by the Member on the purchases or sales of debt securities and, if the Member applied mark-ups, mark-downs or any service charges other than commissions on the purchases or sales of debt securities, the following notification or a notification that is substantially similar:
- (f) the total amount of each type of payment, other than a trailing commission, that is made to the Member or any of its Approved Persons by a securities issuer or another registrant in relation to registerable services to the client during the period covered by the report, accompanied by an explanation of each type of payment;
- (g) if the 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:

“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.”

“We received \$[amount] in trailing commissions in respect of securities you owned during the 12-month period covered by this report.

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

and other charges to your investment funds is included in the prospectus or fund facts document for each fund.”

- (h) if the client owned investment fund securities during the period covered by the report, the following information about those securities for such period:
 - (i) the total amount of fund expenses charged to the investment fund by its investment fund manager or any other party, after making the necessary adjustments to add performance fees and deduct fee waivers, rebates or absorptions, but excluding any charges reported as transaction charges under clause 5.3.3(1)(c);
 - (ii) the total amount of direct investment fund charges charged to the client by the investment fund, investment fund manager or any other party, excluding any charges reported as transaction charges under clause 5.3.3(1)(c);
 - (iii) the aggregate total amount of all expenses and charges reported under subclauses 5.3.3(1)(h)(i) and 5.3.3(1)(h)(ii);
 - (iv) the aggregate total amount of all Member charges and investment fund expenses and charges reported under clause 5.3.3(1)(d) and subclause 5.3.3(1)(h)(iii);
 - (v) the fund expense ratio of each class or series of securities of each investment fund, including any performance fees and deducting any fee waivers, rebates or absorptions;
 - (vi) the following disclosures:
 - (A) if information reported under subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii) and 5.3.3(1)(h)(v), is based on an approximation or any other assumption, a notification that this is the case;
 - (B) in relation to any direct investment fund charges charged to the client, other than deferred sales charges, a short explanation of the type of fees that were charged;
 - (C) in relation to the total amount of fund expenses reported, the following notification or a notification that is substantially similar:

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

ratio (TER). These costs are already reflected in the current values reported for your fund investments.

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

- (D) in relation to the fund expense ratios required to be reported under subclause 5.3.3(1)(h)(v), the following notification or a notification that is substantially similar:

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

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

- (E) in relation to any deferred sales charges paid by the client, the following notification or a notification that is substantially similar:

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

- (F) in relation to an investment fund or securities of an investment fund where the manager of the investment fund is incorporated, continued or organized under the laws of a foreign jurisdiction, and the information reported for those securities under subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii) and 5.3.3(1)(h)(v) is based on information disclosed under the laws of a foreign jurisdiction, the following notification or a notification that is substantially similar:

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

- (G) in relation to any structured product, labour sponsored investment fund or investment fund the securities of which are distributed solely under an exemption from the prospectus requirement in compliance with securities laws, the following notification or a notification that is substantially similar:

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

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

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

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

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

- (2) A Member may exclude the information required under subclauses 5.3.3(1)(h)(i) and 5.3.3(1)(h)(v) and any approximations of such information for a newly established investment fund in which case the following notification or a notification that is substantially similar must be included in the report:

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

- (3) A Member is not required to report the information under subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii), 5.3.3(1)(h)(v), and any approximations of such information, or the disclosures under paragraphs 5.3.3(1)(h)(vi)(A) to 5.3.3(1)(h)(vi)(E), and clause 5.3.3(1)(i) with regards to:

- (a) a labour sponsored investment fund, or
- (b) an investment fund whose securities are distributed solely under an exemption from the prospectus requirement in compliance with securities laws.

- (4) A Member is permitted to report a reasonable approximation of the information required under subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii) and 5.3.3(1)(h)(v), when relying on reasonable approximations to determine such information pursuant to subsection 5.3.3(5).
- (5) For the purposes of reporting the information under subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii) and 5.3.3(1)(h)(v), and the disclosures under paragraphs 5.3.3(1)(h)(vi)(A), 5.3.3(1)(h)(vi)(B), 5.3.3(1)(h)(vi)(E) and 5.3.3(1)(h)(vi)(F), the Member must:
 - (a) rely on the information provided by the investment fund manager, pursuant to section 14.1.1 of National Instrument 31-103, unless the Member reasonably believes the information provided to be incomplete or misleading, and
 - (b) where no reliable information can be obtained pursuant to clause 5.3.3(5)(a), make reasonable efforts to obtain or determine by other means the required information, or a reasonable approximation of such information, and
 - (c) where it reasonably believes it cannot obtain or determine under clause 5.3.3(5)(b) information that is not misleading, exclude such information and disclose in the relevant statement or report that the information is excluded from calculations or not reported.
- (6) The information required to be reported under subsection 5.3.3(1) must be delivered in a separate report on charges and other compensation for each account of the client.
- (7) A Member may provide a report on charges and other compensation that consolidates into a single report the required information for more than one of a client's accounts if the following apply:
 - (a) the client has consented in writing; and
 - (b) the consolidated report specifies which accounts it consolidates.
- (8) **Consolidated Reporting for Same Accounts.** Where a consolidated report on charges and other compensation is sent to the client pursuant to Rule 5.3.3(7) and a consolidated performance report is sent to the client pursuant to Rule 700 (Performance Reporting), General Requirements, subsection (2), both consolidated reports must consolidate information for the same accounts.
- (9) **Disclosure of Compensation Not Reported.** Where a Member receives compensation or other payments in respect of an investment that is not a security, during the period covered by the report, the Member must either:
 - (i) disclose the information required under Rule 5.3.3(1) in respect of the investment; or
 - (ii) indicate that compensation or payments received related to the investment have not been included in the report on charges and compensation being provided to the client.

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5.3.5 Delivery of Report on Charges and Other Compensation and Performance Report

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(3) A Member is not required to deliver a report under Rule 5.3.3 – Report on Charges and Other Compensation and a report under Rule 5.3.4 – Performance Report to an institutional client unless the Member has undertaken, in the relationship disclosure documentation or other communication to the institutional client, to provide such reports to this client.

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5.7 Client reporting responsibility

- (1) A Member who acts as a carrying broker, or only provides trade execution, clearing, settlement or custody services or a combination of these services, to another Member, or exempt market dealer or their respective clients, with regards to a client account, is exempt from the responsibility to send:
- (i) a report on charges and other compensation to the client, pursuant to section 5.3.3, except for its own service fees and charges to the client, and
 - (ii) a performance report to the client, pursuant to section 5.3.4,

regarding such a client account, unless it has undertaken to send such reports on behalf of the other Member or exempt market dealer pursuant to an outsourcing or service arrangement.

5.8. Corporation exemptions

- (1) The Corporation may exempt a Member from the applicable reporting requirements under sections 5.3.2, 5.3.3 and 5.3.4 with respect to client name assets, when the costs of requiring the Member to comply with such requirements significantly outweigh the benefits to the Member's clients from reporting under these requirements.

- (2) The Corporation will grant such exemption if it is satisfied that to do so would not prejudice the interests of the Member's clients, the public or the Member.
- (3) In granting an exemption under section 5.8, the Corporation may impose any terms and conditions it considers necessary.

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15 RULE 700 – PERFORMANCE REPORTING

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General Requirements

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- (3) Where a consolidated performance report is sent to a client, pursuant to subsection (2), above and a consolidated report on charges and other compensation is sent to the client pursuant to Rule 5.3.3(7), both consolidated reports must consolidate information for the same accounts.

Appendix C – Blackline comparison of the Amendments to the current rules

Investment Dealer and Partially Consolidated Rules

RULE 1200 | DEFINITIONS

1201. Definitions

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(2) The following terms have the meanings set out when used in the *Corporation requirements*:

"market value"	(i) For the purposes of the monthly, quarterly, and annual reporting for <i>securities, derivatives</i> and precious metals bullion: . . . (b) where a reliable price cannot be determined: . . . (III) where insufficient recent information is available or there is a wide range of possible values and <u>position cost</u> (defined in subsection 3802(1)) represents the best value estimate within that range: (A) <u>position cost</u> , and
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3802. Definitions

(1) The following terms have the meaning set out below when used in Rule 3800:

<p><u>“direct investment fund charge”</u></p>	<p><u>The amount charged to a client if the client buys, holds, sells or switches securities of an investment fund, including any taxes paid on that amount, other than, for greater certainty, an amount included in the investment fund’s fund expenses.</u></p>
<p><u>“fund expenses per security for the day”</u></p>	<p><u>The fund expenses per security of the applicable class or series of securities of the investment fund for the day that the client owned those securities, expressed in dollars, and determined by using the following formula:</u></p> <p><u>$A \times B = C$</u></p> <p><u>where:</u></p> <p><u>A = the fund expense ratio for the day of the applicable class or series of securities of the investment fund;</u></p> <p><u>B = the market value of a security for the day of the applicable class or series of securities of the investment fund;</u></p> <p><u>C = the fund expenses per security for the day in dollars for the investment fund class or series of securities;</u></p> <p><u>and where:</u></p> <p><u>(i) reasonable necessary adjustments to A or B are made to accurately determine C, or</u></p> <p><u>(ii) reasonable approximations of any or all of A, B and C are used, subject to subsections 3811(5) and 3811(6).</u></p>
<p><u>“fund expense ratio”</u></p>	<p><u>The sum of an investment fund’s management expense ratio and trading expense ratio, expressed as a percentage.</u></p>
<p><u>“management expense ratio”</u></p>	<p><u>The same meaning as in section 1.1 of National Instrument 81-106 Investment Fund Continuous Disclosure.</u></p>

<p><u>“newly-established investment fund”</u></p>	<p>An investment fund that:</p> <p>(i) <u>has yet to file the required management report of fund performance, as defined in section 1.1 of National Instrument 81-106 Investment Fund Continuous Disclosure, or</u></p> <p>(ii) <u>is established less than 12 months before the end of the period covered by the fee/charges report the Dealer Member is required to deliver pursuant to section 3811.</u></p>
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<p>“outside holdings”</p>	<p>The client positions for which the Dealer Member is the ‘dealer of record’ that are neither held at or under the control of the Dealer Member.</p> <p><u>Client positions that are neither held at or under the control of the Dealer Member:</u></p> <p>(i) <u>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 applicable laws and the Dealer Member is the dealer of record for the client on the records of the issuer of the security or the records of the issuer’s investment fund manager, or</u></p> <p>(ii) <u>in any other security, derivative or precious metals bullion positions on which the Dealer Member receives continuing compensation payments related to the client’s ownership of the position from the issuer of the position, the investment fund manager of the issuer or any other party.</u></p>
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<p><u>“position cost”</u></p>	<p>For each <i>security</i> position in the account and each <i>security</i> position subject to the additional reporting obligation under section 3809:</p> <p>.</p> <p>.</p> <p>.</p> <p>(iii) where the Dealer Member reasonably believes it cannot determine the <u>position cost</u> in accordance with clause (i) and sub-clause (ii)(b) of this definition, the Dealer must include the following notification or a notification that is substantially similar:</p> <p style="padding-left: 40px;">“The [book cost/original cost] of this security position cannot be determined.”</p>
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<p><u>total amount of fund expenses”</u></p>	<p>The amount, expressed in dollars, determined by adding together the <u>daily fund expenses for each class or series of securities of each investment fund owned by the client for each day that the client owned it during the reporting period, using the following formula to calculate the daily fund expenses:</u></p> <p><u>A x B = C</u></p> <p><u>where:</u></p> <p><u>A = the fund expenses per security for the day of the applicable class or series of securities of the investment fund;</u></p> <p><u>B = the number of the applicable class or series of securities of the investment fund owned by the client for that day;</u></p> <p><u>C = the daily fund expenses in dollars for a class or series of securities of the investment fund.</u></p> <p><u>A reasonable approximation of the total amount of fund expenses may be used, subject to subsections 3811(5) and 3811(6).</u></p>
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<p><u>“trading expense ratio”</u></p>	<p><u>The ratio, expressed as a percentage, of the total commissions and other portfolio transaction costs incurred by an investment fund to its average net asset value, calculated in accordance with paragraph 12 of item 3 of Part B of Form 81-106F1 Contents of Annual and Interim Management Report of Fund Performance of National Instrument 81-106 Investment Fund Continuous Disclosure.</u></p>
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3808. Client account statements

(4) 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:

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(vi) where the client is a *retail client* and the statement is a quarterly statement, the statement must also include:

(a) for each *security, derivative* and precious metals bullion position in the account:

(I) where the position cost is determinable, either the position cost or the total position cost, and

(II) where the position cost is not determinable, the notification required pursuant to clause (iii) of the definition of position cost in subsection 3802(1),

and

(b) 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:

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(viii) where the client is a *retail client* and the statement is a quarterly statement, the total cost of all cash, *security, derivative* and precious metals bullion positions in the account.

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3809. Report on client positions held outside of the Dealer Member

(1) A *Dealer Member* must send a quarterly report on *outside holdings* (report to be called "Report on client positions held outside of the *Dealer Member*") to each *retail client* who, at the end of the quarter ~~holds outside of the *Dealer Member's* control, either in book-based client name or physical client name,~~ has one or more ~~positions:~~ *outside holdings*.

(i) ~~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 applicable laws and the Dealer Member is the dealer 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) in any other security, derivative or precious metals bullion positions on which the Dealer Member receives continuing compensation payments related to the client's ownership of the position from the issuer of the position, the investment fund manager of the issuer or any other party.~~

(2) 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:

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(iii) for each position:

where the position cost is:

- (a) determinable, either the position cost or the total position cost, and
- (b) not determinable, the notification required pursuant to clause (iii) of the definition of position cost in subsection 3802(1),

(iv) 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:

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(vi) the total position cost of all positions, and

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3811. Fee/charge report

- (1) A *Dealer Member* must send a fee/charge report to each *retail client* 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:
 - (i) an account, or
 - (ii) holds one or more *outside holdings* for which quarterly reporting pursuant to section 3809 is required,and
 - (iii) such client paid ~~either directly or indirectly any~~ fee, charge or other payment, ~~including payments referred to in clauses 3811(2)(viii) and 3811(2)(ix), either directly or indirectly, to the Dealer Member or any of its registered individuals reportable under subsection 3811(2)~~ during the period covered by the report.
- (2) 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:
 - (i) a discussion of the *operating charges* which might be applicable to the client's account,
 - (ii) 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,
 - (iii) 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,
 - (iv) the total amount of each type of *transaction charge* related to the purchase or sale of *securities* and precious metals bullion and transactions in *derivatives* paid by the client during the period covered by the report,
 - (v) 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,
 - (vi) the aggregate total amount of all charges reported under clauses 3811(2)(iii) and 3811(2)(v),
 - (vii) if the *Dealer Member* purchased or sold *debt securities* for the client during the period of the report, either of the following:
 - (a) 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*,
 - (b) 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.”,

- (viii) 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* or *derivatives* 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~~
- (ix) 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 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.”

- (x) if the client owned investment fund securities during the period covered by the report, the following information about those securities for such period:
 - (a) the total amount of fund expenses charged to the investment fund by its investment fund manager or any other party, after making the necessary adjustments to add performance fees and deduct fee waivers, rebates or absorptions, but excluding any charges reported as transaction charges under clause 3811(2)(iv),
 - (b) the total amount of direct investment fund charges charged to the client by the investment fund, investment fund manager or any other party, excluding any charges reported as transaction charges under clause 3811(2)(iv),
 - (c) the aggregate total amount of all expenses and charges reported under subclauses 3811(2)(x)(a) and 3811(2)(x)(b),
 - (d) the aggregate total amount of all Dealer Member charges and investment fund expenses and charges reported under clause 3811(2)(vi) and subclause 3811(2)(x)(c),
 - (e) the fund expense ratio of each class or series of securities of each investment fund, including any performance fees and deducting any fee waivers, rebates or absorptions,
 - (f) the following disclosures:

- (I) if information reported under subclauses 3811(2)(x)(a), 3811(2)(x)(b) and 3811(2)(x)(e) is based on an approximation or any other assumption, a notification that this is the case,
- (II) in relation to any *direct investment fund charges* charged to the client, other than deferred sales charges, a short explanation of the type of fees that were charged,
- (III) in relation to the *total amount of fund expenses* reported, the following notification or a notification that is substantially similar:

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

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

- (IV) in relation to *the fund expense ratios* required to be reported under subclause 3811(2)(x)(e), the following notification or a notification that is substantially similar:

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

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

- (V) in relation to any deferred sales charges paid by the client, the following notification or a notification that is substantially similar:

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

the time of purchase. The redemption fee was deducted from the redemption amount you received.”.

(VI) in relation to an investment fund or securities of an investment fund where the manager of the investment fund is incorporated, continued or organized under the laws of a foreign jurisdiction, and the information reported for those securities under subclauses 3811(2)(x)(a), 3811(2)(x)(b) and 3811(2)(x)(e) is based on information disclosed under the laws of a foreign jurisdiction, the following notification or a notification that is substantially similar:

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

(VII) in relation to any structured product, labour sponsored investment fund or investment fund the securities of which are distributed solely under an exemption from the prospectus requirement in compliance with securities laws, the following notification or a notification that is substantially similar:

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

(xi) if the Dealer Member knows or has reason to believe that the client paid, to third parties, custodial fees, intermediary fees or interest charges related to securities, precious metals bullion and derivatives owned by the client during the period covered by the report and those fees or charges are not required to be reported to the client by the Dealer Member under this section, the following notification or a notification that is substantially similar

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

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

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

- (3) A Dealer Member may exclude the information required under subclauses 3811(2)(x)(a) and 3811(2)(x)(e) and any approximations of such information for a newly established investment fund in which case the following notification or a notification that is substantially similar must be included in the report:
- “The total amount of fund expenses reported may not include cost information for newly established investment funds.”
- (4) A Dealer Member is not required to report the information under subclauses 3811(2)(x)(a), 3811(2)(x)(b), 3811(2)(x)(e), and any approximations of such information, or the disclosures under paragraphs 3811(2)(x)(f)(I) to 3811(2)(x)(f)(V) and clause 3811(2)(xi) with regards to:
- (i) a labour sponsored investment fund, or
 - (ii) an investment fund whose securities are distributed solely under an exemption from the prospectus requirement in compliance with securities laws.
- (5) A Dealer Member is permitted to report a reasonable approximation of the information required under subclauses 3811(2)(x)(a), 3811(2)(x)(b) and 3811(2)(x)(e), when relying on reasonable approximations to determine such information pursuant to subsection 3811(6).
- (6) For the purposes of reporting the information under subclauses 3811(2)(x)(a), 3811(2)(x)(b) and 3811(2)(x)(e) and the disclosures under paragraphs 3811(2)(x)(f)(I), 3811(2)(x)(f)(II), 3811(2)(x)(f)(V) and 3811(2)(x)(f)(VI), the Dealer Member must:
- (i) rely on the information provided by the investment fund manager, pursuant to section 14.1.1 of National Instrument 31-103, unless the Dealer Member reasonably believes the information provided is incomplete or misleading, and
 - (ii) where no reliable information can be obtained pursuant to clause 3811(6)(i), make reasonable efforts to obtain or determine by other means the required information, or a reasonable approximation of such information, and
 - (iii) where it reasonably believes it cannot obtain or determine under clause 3811(6)(ii) information that is not misleading, exclude such information and disclose in the relevant statement or report that the information is excluded from calculations or not reported.
- ~~(37)~~ For the purposes of this section 3811, the information in respect of *security, derivative* and precious metals bullion positions of a client required to be reported under section 3808 must be provided in a separate report for each of the client’s accounts.
- ~~(48)~~ For the purposes of this section 3811, the information in respect of *outside holdings* of a client required to be reported under section 3809 must be included in the report for each of the client’s accounts through which these positions were transacted.
- ~~(59)~~ Subsections 3811(~~37~~) and 3811(~~48~~) 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 *outside holdings* of a client required to be reported under section 3809 provided:
- (i) the client has consented in writing to receiving a consolidated report, and

- (ii) the report that is sent specifies the accounts and *outside holdings* for which the consolidated information is being provided.
- (610) 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 subsection 3811(59), must:
- (i) be prepared for the same 12-month period, and
 - (ii) include aggregated information for the same accounts and *outside holdings*, as the annual performance reports that are sent to the same client.
- (711) Where a *retail client* has an account with positions in futures contracts, forward contracts, contracts for difference, foreign exchange contracts and similar *derivatives*, the *Dealer Member* shall not be required to send an annual fee/charge report under this section 3811, provided the *Dealer Member* sends the client a monthly or quarterly statement which includes the following information about the client's account for the period covered:
- (i) itemized transaction charge and operating charge information in accordance with this section 3811, and
 - (ii) if applicable, itemized information on compensation received by the *Dealer Member* in connection with a transaction.
- (812) For purposes of clause 3811(711)(ii), the following information will be acceptable where the compensation received by the *Dealer Member* relates to a bulk distribution arrangement:
- (i) a calculated product distribution compensation amount, or
 - (ii) where the distribution compensation amount cannot be unbundled from the manufacturer compensation amount,
 - (a) the entire compensation amount, and
 - (b) a note explaining that the amount disclosed is the entire product compensation amount.

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3835. Option of earlier date

- (1) *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 [Definition of *cost* in subsection 3802(1) and clauses 3808(3)(vii) and 3808(3)(ix)],
 - (ii) *position cost* information included in the report on client positions held outside of the *Dealer Member* [Definition of *position cost* in subsection 3802(1) and clauses 3809(2)(iii) and 3809(2)(vi),
- that is prepared as at a date earlier than December 31, 2015.

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- (3) Where the option in subsection 3835(1) is pursued, all of the *position cost* information referenced in clauses 3835(1)(i) and 3835(1)(ii) must be prepared for all similar clients as at the same date.
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3846. Client reporting responsibility

(1) A Dealer Member who acts as a carrying broker, or only provides trade execution, clearing, settlement or custody services or a combination of these services, to another Dealer Member, Mutual Fund Dealer Member, portfolio manager, exempt market dealer or their respective clients, with regards to a client account or outside holding positions, is exempt from the responsibility to send:

- (i) a performance report to the client, pursuant to section 3810, and
- (ii) a fee/charge report to the client, pursuant to section 3811, except for its own service fees and charges to the client,

regarding such a client account or outside holding positions, unless it has undertaken to send such reports on behalf of the other Dealer Member, Mutual Fund Dealer Member, portfolio manager or exempt market dealer pursuant to an outsourcing or service arrangement.

3847. Corporation exemptions

- (1) The Corporation may exempt a Dealer Member from the applicable reporting requirements under sections 3809, 3810 and 3811 with respect to client's outside holdings, when the costs of requiring the Dealer Member to comply with such requirements significantly outweigh the benefits to the Dealer Member's clients from reporting under these requirements.
- (2) The Corporation will grant such exemption if it is satisfied that to do so would not prejudice the interests of the Dealer Member's clients, the public or the Dealer Member.
- (3) In granting an exemption under section 3847, the Corporation may impose any terms and conditions it considers necessary.

3846, 3848. – 3899. Reserved.

Appendix D – Blackline comparison of the Amendments to the current rules

Mutual Fund Dealer Rules

1 RULE 1A. APPLICATION, INTERPRETATION, EXEMPTIONS, AND DEFINITIONS

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Definitions

In these Rules unless the context otherwise specifies or requires:

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“institutional client” has the same meaning as in subsection 1201(2) of the Corporation’s Investment Dealer and Partially Consolidated Rules.

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RULE 5 - BOOKS, RECORDS AND REPORTING

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5.3. Client Reporting

(1) Definitions

For the purpose of client reporting requirements under Rule 5.3:

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- (c) “direct investment fund charge” means the amount charged to a client if the client buys, holds, sells or switches securities of an investment fund, including any federal, provincial or territorial sales taxes paid on that amount, other than, for greater certainty, an amount included in the investment fund’s fund expenses;
- (d) “fund expenses per security for the day” means the fund expenses per security of the applicable class or series of securities of the investment fund for the day that the client owned those securities, expressed in dollars, and determined by using the following formula:

$$\underline{\mathbf{A \times B = C}}$$

where:

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

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

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

and where:

- (i) reasonable necessary adjustments to A or B are made to accurately determine C, or
- (ii) reasonable approximations of any or all of A, B and C are used, subject to subsections 5.3.3(4) and 5.3.3(5);
- (e) “fund expense ratio” means the sum of an investment fund’s management expense ratio and trading expense ratio, expressed as a percentage;
- (~~e~~f) “investment” means any asset, excluding cash, held or transacted in an account of the Member;
- (g) “management expense ratio” has the same meaning as in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*;
- (~~e~~h) “marketplace” has the same meaning as in section 1.1 of National Instrument 21-101 *Marketplace Operation*;
- (~~f~~i) “market value” of a security has the meaning given to it under Form 1;
- (j) “newly-established investment fund” means an investment fund that:

- (i) has yet to file the required management report of fund performance, as defined in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, or
- (ii) is established less than 12 months before the end of the period covered by the report on charges and other compensations the Member is required to deliver pursuant to section 5.3.3;
- (gk) “operating charge” means any amount charged to a client by a Member in respect of the operation, transfer or termination of a client’s account and includes any federal, provincial or territorial sales taxes paid on that amount;
- (hl) “original cost” means the total amount paid to purchase an investment, including any transaction charges related to the purchase;
- (m) “position cost” for each investment position in the account means, subject to paragraphs (i), (ii) and (iii), either “book cost” or “original cost”, provided that only one cost calculation methodology, either “book cost” or “original cost,” is used for all positions;
- (i) **Investment Positions Opened before December 31, 2015.** For investment positions opened before December 31, 2015, means cost, as determined in accordance with subsection 5.3(1)(em), above; or the market value of the investment position as at December 31, 2015 or an earlier date, if the Member reasonably believes accurate, recorded historical market value information is available for the client’s account and it would not be misleading to the client to provide that information as at the earlier date;
- (ii) **Investment Positions Transferred In:** For investment positions transferred into an account at the Member, means cost as determined in accordance with subsection 5.3(1)(em), above; or the market value of the investment position as at the date of the position’s transfer if it is also disclosed in the account statement that it is the market value, not the cost of the investment position, that is being disclosed; and
- (iii) **Where Cost Not Determinable:** Where a Member reasonably believes that it cannot determine the position cost in respect of an investment position, the Member must provide disclosure of that fact in the statement.
- (in) “related issuer” has the same meaning as in section 1.1 of National Instrument 33-105 *Underwriting Conflicts*;
- (o) “total amount of fund expenses” means the amount, expressed in dollars, determined by adding together the daily fund expenses for each class or series of securities of each investment fund owned by the client for each day that the client owned it during the reporting period, using the following formula to calculate the daily fund expenses:

A x B = C

where:

A = the fund expenses per security for the day of the applicable class or series of securities of the investment fund;

B = the number of the applicable class or series of securities of the investment fund owned by the client for that day;

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

A reasonable approximation of the total amount of fund expenses may be used, subject to subsections 5.3.3(4) and 5.3.3(5);

- (p) “trading expense ratio” means the ratio, expressed as a percentage, of the total commissions and other portfolio transaction costs incurred by an investment fund to its average net asset value, calculated in accordance with paragraph 12 of item 3 of Part B of Form 81-106F1 *Contents of Annual and Interim Management Report of Fund Performance* of National Instrument 81-106 *Investment Fund Continuous Disclosure*;
- (jq) “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;
- (kr) “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 Member or Approved Person by any party;
- (ls) “transaction charge” means any amount charged to a client by a Member and includes any federal, provincial or territorial sales taxes paid on that amount.

5.3.2 Content of Account Statement

Each account statement must contain the following information:

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(c) **Market Value and Cost Reporting.**

for all investments in an account at the Member:

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(ii) as at the end of the period for which the statement is made:

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(C) the position cost of each investment position presented on an average cost per unit or share basis or on an aggregate basis, and determined as at the end of the applicable period. Where market value is used to determine the position cost of an investment position, disclosure of that fact must be provided in the account statement;

(D) the total position cost of all investment positions;

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5.3.3 Report on Charges and Other Compensation

(1) **Content of Report on Charges and Other Compensation.** For each 12 month period, a Member must deliver to a client a report on charges and other compensation containing the following information, except that the first report delivered after a client has opened an account may cover a period of less than 12 months:

(a) the Member's current operating charges which might be applicable to the client's account;

- (b) the total amount of each type of operating charge related to the client's account paid by the client during the period covered by the report, and the total amount of those charges;
- (c) the total amount of each type of transaction charge related to the purchase or sale of securities paid by the client during the period covered by the report, and the total amount of those charges;
- (d) the total amount of the operating charges reported under subsection (b) and the transaction charges reported under subsection (c);
- (e) if the Member purchased or sold debt securities for the client during the period covered by the report, either of the following:
 - (i) the total amount of any mark-ups, mark-downs, commissions or other service charges the Member applied on the purchases or sales of debt securities;
 - (ii) the total amount of any commissions charged to the client by the Member on the purchases or sales of debt securities and, if the Member applied mark-ups, mark-downs or any service charges other than commissions on the purchases or sales of debt securities, the following notification or a notification that is substantially similar:
- (f) the total amount of each type of payment, other than a trailing commission, that is made to the Member or any of its Approved Persons by a securities issuer or another registrant in relation to registerable services to the client during the period covered by the report, accompanied by an explanation of each type of payment;
- (g) if the 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:

“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.”

“We received \$[amount] in trailing commissions in respect of securities you owned during the 12-month period covered by this report.

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

and other charges to your investment funds is included in the prospectus or fund facts document for each fund.”

(h) if the client owned investment fund securities during the period covered by the report, the following information about those securities for such period:

(i) the total amount of fund expenses charged to the investment fund by its investment fund manager or any other party, after making the necessary adjustments to add performance fees and deduct fee waivers, rebates or absorptions, but excluding any charges reported as transaction charges under clause 5.3.3(1)(c);

(ii) the total amount of direct investment fund charges charged to the client by the investment fund, investment fund manager or any other party, excluding any charges reported as transaction charges under clause 5.3.3(1)(c);

(iii) the aggregate total amount of all expenses and charges reported under subclauses 5.3.3(1)(h)(i) and 5.3.3(1)(h)(ii);

(iv) the aggregate total amount of all Member charges and investment fund expenses and charges reported under clause 5.3.3(1)(d) and subclause 5.3.3(1)(h)(iii);

(v) the fund expense ratio of each class or series of securities of each investment fund, including any performance fees and deducting any fee waivers, rebates or absorptions;

(vi) the following disclosures:

(A) if information reported under subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii) and 5.3.3(1)(h)(v), is based on an approximation or any other assumption, a notification that this is the case;

(B) in relation to any direct investment fund charges charged to the client, other than deferred sales charges, a short explanation of the type of fees that were charged;

(C) in relation to the total amount of fund expenses reported, the following notification or a notification that is substantially similar:

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

ratio (TER). These costs are already reflected in the current values reported for your fund investments.

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

(D) in relation to the fund expense ratios required to be reported under subclause 5.3.3(1)(h)(v), the following notification or a notification that is substantially similar:

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

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

(E) in relation to any deferred sales charges paid by the client, the following notification or a notification that is substantially similar:

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

(F) in relation to an investment fund or securities of an investment fund where the manager of the investment fund is incorporated, continued or organized under the laws of a foreign jurisdiction, and the information reported for those securities under subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii) and 5.3.3(1)(h)(v) is based on information disclosed under the laws of a foreign jurisdiction, the following notification or a notification that is substantially similar:

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

(G) in relation to any structured product, labour sponsored investment fund or investment fund the securities of which are distributed solely under an exemption from the prospectus requirement in compliance with securities laws, the following notification or a notification that is substantially similar:

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

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

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

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

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

(2) A Member may exclude the information required under subclauses 5.3.3(1)(h)(i) and 5.3.3(1)(h)(v) and any approximations of such information for a newly established investment fund in which case the following notification or a notification that is substantially similar must be included in the report:

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

(3) A Member is not required to report the information under subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii), 5.3.3(1)(h)(v), and any approximations of such information, or the disclosures under paragraphs 5.3.3(1)(h)(vi)(A) to 5.3.3(1)(h)(vi)(E), and clause 5.3.3(1)(i) with regards to:

(a) a labour sponsored investment fund, or

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

- (4) A Member is permitted to report a reasonable approximation of the information required under subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii) and 5.3.3(1)(h)(v), when relying on reasonable approximations to determine such information pursuant to subsection 5.3.3 (5).
- (5) For the purposes of reporting the information under subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii) and 5.3.3(1)(h)(v), and the disclosures under paragraphs 5.3.3(1)(h)(vi)(A), 5.3.3(1)(h)(vi)(B), 5.3.3(1)(h)(vi)(E) and 5.3.3(1)(h)(vi)(F), the Member must:
- (a) rely on the information provided by the investment fund manager, pursuant to section 14.1.1 of National Instrument 31-103, unless the Member reasonably believes the information provided to be incomplete or misleading, and
 - (b) where no reliable information can be obtained pursuant to clause 5.3.3(5)(a), make reasonable efforts to obtain or determine by other means the required information, or a reasonable approximation of such information, and
 - (c) where it reasonably believes it cannot obtain or determine under clause 5.3.3(5)(b) information that is not misleading, exclude such information and disclose in the relevant statement or report that the information is excluded from calculations or not reported.
- (26) The information required to be reported under subsection 5.3.3(1) must be delivered in a separate report on charges and other compensation for each account of the client.
- (37) A Member may provide a report on charges and other compensation that consolidates into a single report the required information for more than one of a client's accounts if the following apply:
- (a) the client has consented in writing; and
 - (b) the consolidated report specifies which accounts it consolidates.
- (48) **Consolidated Reporting for Same Accounts.** Where a consolidated report on charges and other compensation is sent to the client pursuant to Rule 5.3.3(37) and a consolidated performance report is sent to the client pursuant to Rule 700 (Performance Reporting), General Requirements, subsection (2), both consolidated reports must consolidate information for the same accounts.
- (59) **Disclosure of Compensation Not Reported.** Where a Member receives compensation or other payments in respect of an investment that is not a security, during the period covered by the report, the Member must either:
- (i) disclose the information required under Rule 5.3.3(1) in respect of the investment; or
 - (ii) indicate that compensation or payments received related to the investment have not been included in the report on charges and compensation being provided to the client.

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5.3.5 Delivery of Report on Charges and Other Compensation and Performance Report

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- (3) A Member is not required to deliver a report under Rule 5.3.3 – Report on Charges and Other Compensation and a report under Rule 5.3.4 – Performance Report to an institutional client unless the Member has undertaken, in the relationship disclosure documentation or other communication to the institutional client, to provide such reports to this client.

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5.7 Client reporting responsibility

- (1) A Member who acts as a carrying broker, or only provides trade execution, clearing, settlement or custody services or a combination of these services, to another Member, or exempt market dealer or their respective clients, with regards to a client account, is exempt from the responsibility to send:

(i) a report on charges and other compensation to the client, pursuant to section 5.3.3, except for its own service fees and charges to the client, and

(ii) a performance report to the client, pursuant to section 5.3.4,

regarding such a client account, unless it has undertaken to send such reports on behalf of the other Member or exempt market dealer pursuant to an outsourcing or service arrangement.

5.8. Corporation exemptions

- (1) The Corporation may exempt a Member from the applicable reporting requirements under sections 5.3.2, 5.3.3 and 5.3.4 with respect to client name assets, when the costs of requiring the Member to comply with such requirements significantly outweigh the benefits to the Member's clients from reporting under these requirements.

(2) The Corporation will grant such exemption if it is satisfied that to do so would not prejudice the interests of the Member's clients, the public or the Member.

(3) In granting an exemption under section 5.8, the Corporation may impose any terms and conditions it considers necessary.

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15 **RULE 700 – PERFORMANCE REPORTING**

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General Requirements

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(3) Where a consolidated performance report is sent to a client, pursuant to subsection (2), above and a consolidated report on charges and other compensation is sent to the client pursuant to Rule 5.3.3(~~3~~7), both consolidated reports must consolidate information for the same accounts.

Appendix E – Summary of public comments received

Summary of Comments Received in Response to the Proposed Rule Amendments — Enhanced Cost Reporting

On October 10, 2024, CIRO issued Rules Bulletin 24-0288 requesting comments on the proposed amendments to the Investment Dealer and Partially Consolidated (**IDPC**) Rules and the Mutual Fund Dealer (**MFD**) Rules relating to cost reporting requirements (**Proposed Amendments**). We received seven (7) comment letters from the following commenters:

- Fdp Private Wealth Management
- The Canadian Independent Finance and Innovation Counsel (CIFIC)
- The Canadian Life and Health Insurance Association (CLHIA)
- The Investment Funds Institute of Canada (IFIC)
- The Investment Industry Association of Canada (IIAC)
- OMG Wealth Management Inc
- Shamez Kassam

Copies of these letters are publicly available on [CIRO's website](#):

The following table summarizes these comments and our response:

Summary of Comments		CIRO response
General Comments		
1.	<p>Overall, commenters support our proposal to enhance CIRO’s cost reporting requirements in material harmonization with the CSA’s requirements, which aim to enhance the transparency of investment fund costs (TCR Enhancements).¹ They stress the need for full alignment between the two regulators on both the enhanced requirements and implementation timelines. Commenters also commend CIRO’s proposals to align client reporting requirements and practices between investment dealers and mutual fund dealers, as well as provide CIRO staff with exemptive authority to grant routine reporting exemptions, for greater efficiency.</p> <p>At the same time, commenters request further clarification and offer recommendations, which we discuss below.</p>	We thank the commenters for their feedback.
Enhanced cost reporting in the annual fee/charges report [IDPC Rule 3811 / MFD Rule 5.3.3]		
<i>Reporting of fund expenses, direct fund charges and fund expense ratios</i>		
2.	<p>Two commenters request greater drafting precision in the proposed reporting requirements for the “total amount of fund expenses”, “total amount of direct investment fund charges”, and the “fund expense ratio”.² They observe that, despite CIRO’s intent, the proposed language may be interpreted as requiring Dealer Members (Dealers) to report</p>	<p>As emphasized in Bulletin 24-0288, our TCR Enhancements are intended to be fully harmonized with the corresponding CSA’s TCR Enhancements, in both scope and impact. For the very reason of avoiding conflicting interpretations, we have drafted the concerned provisions in CIRO Rules to be identical to the corresponding CSA’s provisions.</p>

¹ In this publication, “TCR Enhancements”, which stands for Total Cost Reporting Enhancements, has the same meaning as in Bulletin 24-0288.

² Proposed IDPC Rule subclauses 3811(2)(x)(a), 3811(2)(x)(b), 3811(2)(x)(e) / MFD Rule subclauses 5.3.3(1)(h)(i), 5.3.3(1)(h)(ii), 5.3.3(1)(h)(v).

Summary of Comments	CIRO response
<p>these totals on individual fund basis rather than as aggregate sum for all funds held by the client over the reporting period. Commenters recommend clarifying in the rules that fund expenses and direct fund charges should be reported as a total aggregate sum, whereas fund expense ratios must be reported as separate ratios for each investment fund. It is also suggested that we reiterate such clarification in guidance or other regulatory instruments.</p>	<p>Consistent with the CSA’s requirements, under our rules Dealers are required to report in the annual fee/charges report to clients for the account as a whole, for all investment fund securities owned by the client during the reporting period:</p> <ul style="list-style-type: none"> (i) the total (aggregate sum) amount of fund expenses, in dollars, for all investment fund securities;³ (ii) the total (aggregate sum) amount of direct investment fund charges, in dollars, for all investment fund securities,⁴ and (iii) the fund expense ratio, as a percentage, for each investment fund class or series of securities.⁵ <p>The message of full harmonization between CIRO’s and CSA’s TCR Enhancements has also been reinforced in the bulletin implementing the Proposed Amendments. CIRO will issue future guidance in the context of the Dealer Consolidated Rules. In the meantime, we encourage Dealers to refer to 31-103CP and the accompanying sample of the annual cost and compensation report for further guidance.⁶</p>

³ IDPC Rule subclause 3811(2)(x)(a) / MFD Rule subclause 5.3.3(1)(h)(i), corresponding to the new requirement in section 14.17(1)(i) of National Instrument 31-103 (CSA’s TCR Enhancement). As discussed in Bulletin 24-0288, the determination of the total amount of fund expenses in the new section 14.17(6) of National Instrument 31-103 (CSA’s TCR Enhancement) has been brought into CIRO Rules under the definition of the “total amount of fund expenses” in IDPC Rule subsection 3802(1) / MFD Rule subsection 5.3(1).

⁴ IDPC Rule subclause 3811(2)(x)(b) / MFD Rule subclause 5.3.3(1)(h)(ii), corresponding to the new requirement in section 14.17(1)(j) of National Instrument 31-103 (CSA’s TCR Enhancement).

⁵ IDPC Rule subclause 3811(2)(x)(e) / MFD Rule subclause 5.3.3(1)(h)(v), corresponding to the new requirement in section 14.17(1)(m) of National Instrument 31-103 (CSA’s TCR Enhancement).

⁶ Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations (**31-103CP**).

Summary of Comments		CIRO response
<i>Transparency of fee disclosures</i>		
3.	<p>One commenter notes that performance fees can be significant and vary widely, especially for investments in alternative strategies. To avoid misleading reporting to clients, they recommend that the total cost rate is reported separately from performance fee, together with clear disclosure regarding the nature of the performance fees.</p> <p>The commenter also calls for greater transparency regarding which percentage of costs are paid to Dealers (and affiliated entities) and which are paid to independent investment funds managers or other third parties. According to the commenter, this would help investors better assess the value provided by those involved in their investment portfolios</p>	<p>These are comments of a systemic nature, which touch upon areas beyond CIRO’s jurisdiction alone (including the type and format of data distribution an investment fund manager is responsible for). Such comments have been discussed and addressed as part of the consultations on the CSA’s TCR Enhancements.⁷</p> <p>In terms of Dealer’s reporting responsibility under our rules, CIRO’s TCR Enhancements set out minimum requirements. Dealers have the flexibility of providing additional information in the reports to clients or presenting such information in a more detailed fashion, when available to them, to the extent such disclosure remains compliant with our rule requirements. For instance, nothing in the rules prohibits a Dealer from reporting the performance fee separately from the total cost rate, in addition to the total fund expense figure (which includes the performance fee) requested in the rules.</p>
<i>Reporting notifications</i>		
4.	<p>One commenter suggests that, in the future, we create sample notifications based on the new proposed requirements, which Dealers could use or adapt as needed for their business models and reduce burden.</p>	<p>We will consider addressing requests of this nature in future guidance.</p>
<i>Cost reporting for foreign investment funds</i>		

⁷ For more information refer to the CSA’s notices adopting the CSA’s TCR Enhancements (April 20, 2023), available on the CSA members’ websites.

Summary of Comments	CIRO response
<p>5. Commenters note the reporting challenges that arise when dealing with foreign investment funds and foreign fund managers who do not comply with the Canadian regulations.</p> <p>One commenter recommends adding a rule provision to address situations where a foreign-incorporated fund manager does not provide the necessary information for a Dealer to meet its reporting obligations. The commenter suggests drafting revisions to the proposed IDPC Rule subsection 3811(6) / MFD Rule 5.3.3(5) to:</p> <ul style="list-style-type: none"> • specify when a Dealer may exclude the required cost information related to foreign funds, and • prescribe the required notification regarding the excluded information. <p>Another commenter remarks that appropriate data solutions must be made available to Canadian dealers to allow them to collect foreign funds information in an automated manner and properly communicate it to investors.</p>	<p>We understand the challenges Dealers may face in obtaining the required cost information with regard to foreign investment funds, in the absence of publicly available information, third-party service providers or voluntary disclosure by the foreign investment fund. The TCR Enhancements do take such situations into account, by permitting Dealer to exclude the required information from the report, when no reliable information can be obtained despite the Dealer’s reasonable efforts. At the same time, the regulators have been informed through industry discussions that some third-party service providers are developing solutions which may help address such challenges.</p> <p>We appreciate the drafting suggestions put forward by the commenter, but we do not believe such prescriptive rule provisions specific for foreign funds are necessary. The Dealer responsibility under IDPC Rule subsection 3811(6) / MFD Rule 5.3.3(5) has been set out at a principles level, and such principle applies the same regardless of whether the Dealer is dealing with a Canadian or foreign fund.</p>
<i>Cost reporting for segregated funds</i>	
<p>6. One commenter requests CIRO to provide guidance on how Dealers should disclose TCR information for segregated funds held in “nominee name” within client accounts. They recommend encouraging Dealers to include embedded costs and FER% information for these funds in the annual fee/charge report to clients, when available. According to the</p>	<p>In existing guidance, both CIRO’s predecessors (IIROC and MFDA) have taken the stance that Dealers are permitted to include information about segregated funds in the reports to clients. Such position continues to apply.</p> <p>Further clarification regarding Dealer reporting responsibility for products beyond securities and derivatives under our rules,</p>

Summary of Comments		CIRO response
	commenter, this aligns with the approach CIRO took for the CRM2 ⁸ disclosures and supports the concept of harmonizing reporting requirements for investment funds and segregated funds.	will be provided following the consultations and decisions taken as part of the Rule Consolidation Project.
<i>Excluded products: prospectus-exempt investment funds</i>		
7.	Two commenters express concerns about the exclusion of prospectus-exempt funds from the TCR Enhancements. They point out that these products carry significant costs and are increasingly offered through Fundserv. One commenter questioned whether investment fund managers would voluntarily provide the necessary data unless mandated to do so. Specifically, clients with portfolios heavily allocated to exempt funds may face under-reporting of actual investment costs, or Dealers may struggle with the burden of estimating or excluding such costs from reports. The commenters recommend including prospectus exempt funds in the scope of enhanced cost reporting to ensure greater transparency for investors.	These are comments of a systemic nature, which touch upon areas beyond CIRO's jurisdiction alone. Such comments have been discussed and addressed as part of the consultations on the CSA's TCR Enhancements.
8.	One commenter is asking whether the TCR Enhancements apply on a Dealer that sells prospectus exempt funds, ETF's and mutual funds, exclusively to accredited investors.	Under the Proposed Amendments, the current exemption for Dealers from the requirement to provide an annual fee and charge report to institutional clients has been maintained and extended to mutual fund dealers as well. This means that the Dealer reporting exemption, discussed here, applies with

⁸ "CRM" stands for Client Focused Reforms, further discussed in Bulletin 24-0288.

Summary of Comments		CIRO response
		regard to the accredited investor that qualifies as an institutional client under CIRO Rules. ⁹
Reporting exemptions		
<i>Existing CRM exemptions from the outside holding reporting requirements</i>		
9.	<p>Commenters believe that active CRM exemptions should be maintained even in the face of the TCR Enhancements, to prevent significant and unnecessary burden for both Dealers and CIRO.</p> <p>One commenter requests clarification on why existing CRM exemptions would be impacted by the TCR Enhancements, arguing that these exemptions were issued on rules not affected by the Proposed Amendments (i.e. the quarterly reporting and performance reporting provisions of CIRO's rules). As such, they believe the CRM exemptions should neither become void nor require expansion.</p> <p>Another commenter recommends that CIRO consider 'grandfathering' or expanding the existing CRM exemptions to apply to the Proposed Amendments. They note that a 'grandfathering' approach is particularly appropriate for those exempt Dealers who do not provide services to the client in respect of the outside holdings, or those holdings that do not carry reportable costs.</p>	<p>Once the TCR Enhancements enter into effect, Dealers with outside holding positions who carry reportable fund fees, would have to start reporting such fees in the annual fee/charge reporting to clients, unless specifically exempt from such requirements. The existing CRM exemptions are limited to the provisions Dealers are specifically exempt from, and do not expand automatically to also exempt Dealers from the TCR Enhancements. CIRO will consider granting exemptions on a case-by-case basis based on the Dealer's own assessment and application for the need to be exempt from the TCR Enhancements.</p> <p>We are not persuaded by the claim that a renewal or expansion of existing CRM exemptions creates unnecessary burden for both Dealers and CIRO. Exempt Dealers can follow the already-established practice for applications of this nature. Also, in Bulletin 24-0288 we clearly indicate our intention to assess exemption renewal/expansion applications on grounds that are similar or comparable to the CRM exemptions.</p>

⁹ Refer to the definition of "institutional client" in the IDPC Rule subsection 1201(2), which the Proposed Amendments also bring into the MFD Rules.

Summary of Comments		CIRO response
<i>Future outside holding exemptions</i>		
10.	<p>Commenters express support for future exemptions from the cost reporting requirements because of the complex challenges the industry may face following the implementation of the TCR Enhancements.</p> <p>One commenter notes that the exemptions should be assessed on a case-by-case basis in consideration of each unique exemption request.</p> <p>One commenter requests CIRO to specify that future outside holding exemptions will be granted on the same grounds and conditions as the past CRM exemptions. They believe that CIRO’s statement in Bulletin 24-0288, whereby exemptions may be granted “on comparable grounds and conditions” to the CRM exemptions, is too vague. They recommend CIRO publishes such clarification substantially before the implementation of the Proposed Amendments, so that there is adequate time for Dealers to set up necessary controls and system changes.</p>	<p>As set out in the Proposed Amendments, we will consider granting outside holding reporting exemptions where the costs for the Dealer of complying with the reporting requirements outweigh the benefits to clients. We also indicated in Bulletin 24-0288, that we make such an assessment on similar or comparable grounds to those of the CRM exemptions.</p> <p>We believe such approach provides adequate clarity and predictability of the exemption process to be followed by staff. It also allows needed flexibility for staff to consider new, yet comparable, exemption grounds in consideration of the novelty of the TCR Enhancements and the scope of the reporting exemptions being expanded to now include mutual fund dealers.</p> <p>As noted earlier, under the Proposed Amendments staff has authority to grant exemptions on a case-by-case basis in consideration of the specific Dealer application for exemption.</p>
<i>Reporting exemption regarding institutional clients</i>		
11.	<p>One commenter points out that existing exemptions from the annual fee/charge reporting requirements and performance report with regard to permitted clients, including institutional clients, should also be maintained.</p>	<p>As noted in Bulletin 24-0288, the existing exemption from the annual fee/charge reporting requirements of the IDPC Rules has been maintained. In addition, in the Proposed Amendments we proposed introducing the same exemptions in the MFD Rules, so as to level the playing field between investment dealers and mutual fund dealers.</p>

Summary of Comments		CIRO response
Other		
12	<p>One commenter notes that TCR Enhancements will have a significant cost impact on industry players, and to some extent the client, which is difficult to estimate at this stage. They stress that investment fund managers and third-party service providers play a major role in the ability of dealers to obtain and distribute the required information to their client in a timely manner.</p>	<p>We recognize that the effectiveness of the TCR Enhancements depends on the collaborative efforts of all involved industry players and stakeholders. We encourage dealers to be proactive and continue engaging with their business partners, such as investment funds and service providers, as well as industry forums and regulators.</p>
13	<p>One commenter indicates that “precious metals bullion” is not a security and therefore not subject to CIRO’s jurisdiction. They recommend that CIRO’s consolidated dealer member rules ought to exclude all references to “precious metals bullion” and “precious metals bullion position” included in the current version of the Investment Dealer and Partially Consolidated Rules.</p>	<p>This comment is outside of the scope of this specific consultation.</p>