



THE INVESTMENT
FUNDS INSTITUTE
OF CANADA

L'INSTITUT DES FONDS
D'INVESTISSEMENT
DU CANADA

IMPLEMENTING THE FINAL PHASE OF CRM2

MICHAEL STANLEY

PRESIDENT/CEO, QUADRUS INVESTMENT SERVICES
CHAIR, IFIC'S CRM2 COMMUNICATIONS TASK FORCE

APRIL 27, 2016

CRM2 COMMUNICATIONS TASK FORCE

- **Michael Stanley**, Quadrus Investment Services Ltd. (Task Force Chair)
- **Phillip Ayotte**, Scotia Securities
- **Kim Barrett**, L&T Infotech Financial Services Technologies Inc.
- **Patti Best**, Mackenzie Investments
- **Liz Bouthillier**, Franklin Templeton Investments (Canada)
- **Bruno Carchidi**, 1832 Asset Management L.P.
- **Rebecca Cowdery**, Borden Ladner Gervais L.L.P.
- **Bill Devolin**, Manulife Investments
- **Carol Lynde**, Bridgehouse Asset Managers
- **Aaron Margolis**, Investors Group Inc.
- **Wanda Traczewski**, Quadrus Investment Services Ltd.
- **Karen Woodman**, Sun Life Financial
- **(Sara Clodman, IFIC Staff Liaison)**

REGULATORY SUMMARIES AND MODEL REPORTS



THE INVESTMENT FUNDS INSTITUTE OF CANADA

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CRM2 SPOTLIGHT: CONSIDERATIONS FOR DEALERS

CRM2 Spotlight: Considerations for Dealers focuses on three areas:

- The application of CRM2 to investments that are not securities, such as segregated fund contracts, annuities and GICs.
- Transfer payments from affiliates; and
- Referral fees.

This bulletin outlines direction provided by the Canadian Securities Administrators (CSA) and the Mutual Fund Dealers Association (MFDA) to assist dealers in meeting various requirements of CRM2. It notes where dealers might have questions about the approach that regulators would like them to adopt.

Investments that are Not Securities

One important area is how to apply CRM2 principles to investments that fall outside the scope of securities legislation, such as segregated fund contracts, annuities and GICs.

The CSA's jurisdiction over "securities" means that CRM2 requirements apply only to securities (including exchange contracts in Alberta, British Columbia, New Brunswick and Saskatchewan). If an investment is not a security or an exchange contract as defined by securities legislation in the provinces, then dealers are not required to report on that investment.

MFDA Rules: Application of CRM2 to Investments that are Not Securities

The MFDA has provided the following direction about how dealers should disclose information under CRM2 with respect to investments other than securities.

Account Statements
A client's account statement should include required information (outlined in IFIC's Dealer Checklist) for all securities and other investments (including segregated fund contracts, annuities and GICs) that the dealer is handling for the client, including investments that have been transferred in.

For GICs, dealers may report market value as principal plus accrued interest. For market-linked GICs or similar investments, dealers may report market value as principal plus an estimate of the accrued interest, along with an explanation that sets out the basis for the estimate.

If the market value of the investment is estimated using a "reasonable methodology", the account statement must disclose the method used. If the market value of an investment cannot be reasonably determined, the member should report it as "zero" on the account statement and disclose this.

Performance Report
The performance report must include all assets in the client's account, including all investments required to be reported on the account statement, as well as cash.

Charges and Compensation
The charges and compensation to include charges and compensation for all investments, including segregated fund contracts, annuities and GICs. The MFDA has stated that this disclosure will further assist investor decision-making and is consistent with the obligation of MFDA members to deal fairly, honestly and in good faith with their clients.

If it is impractical to report the report must identify the compensation was received that it is not included in the report.

Transfer Payments from Affiliates
The CSA rule specifies that the charges and compensation report must include the total dollar amount that is paid to the dealer or any of its advisers by a securities issuer or another registrant regarding registrable services to the client, along with an explanation of each type of payment.

Dealers should determine and provide fair and reasonable disclosure of money received from affiliated entities that is associated with registrable services provided to the client, even if the dealer's revenue is not directly tied to account activity (e.g., when no commissions were paid and advisers received salaries). In such circumstances, the MFDA has recommended that dealers make a reasonable estimate of what they would have received if they had earned commission revenue in disclosing money received from affiliates. The explanations should be sufficiently clear to provide clients with an understanding of the services to which the compensation relates.

Referral Fees
The disclosure of referral fees pertains only to referral fees received for securities-related activities in support of a client who has been referred to another registrant. This information can be provided either within the charges and compensation report or in a separate document.

Referral fees received from an entity for non-securities services provided to a client, such as fees paid by a mortgage broker, are not required.

If a client has an account with an issuer that is carried by another dealer, the issuer must:

- Send a supplemental charges and compensation report (to the client), disclosing the dealer earned, or
- Share with the carrying dealer the amount of referral fees that the issuer receives to enable the client to understand the compensation report about the issuer.

If a client has multiple accounts at different dealers, each dealer must disclose the referral fees that the issuer receives to enable the client to understand the compensation report about the issuer.

Are You Ready for CRM2?
The mutual funds industry is collaborating to develop materials that will help dealers achieve the goals of CRM2 – to help investors make more informed decisions by improving their understanding of the cost and performance of their investment products and advisory services.

- Our Dealer Checklist outlines new information that dealers must include on clients' account statements as of December 31, 2015.
- CRM2 Spotlight outlines direction provided by the Canadian Securities Administrators (CSA) and self-regulatory organizations (SROs) to assist dealers in meeting various requirements and notes where dealers might have questions about the approach that regulators would like them to adopt.
- Our Model Report on Charges and Compensation and Model Report on Investment Performance conform to the CRM2 rules and sample documents created by the regulators, and are enhanced by plain language, easy-to-follow designs and clear explanations.
- Advisor Insights is a series of bulletins that provide advisors with key information about CRM2, including plain language explanations of various concepts to help them have effective conversations with their clients.
- Our e-newsletter, IFIC Weekly Update, provides IFIC members with updates, tips and tools on CRM2 and other regulatory initiatives.

Our materials illustrate what can be achieved when stakeholders work collaboratively in the interest of the investor. Dozens of people from IFIC member companies are participating in various IFIC committees to share information and reach consensus on implementation issues related to CRM2 and other regulatory topics.

Widespread use of these materials – which feature plain language, simple designs, and clear explanations – will deliver a consistent experience to investors and demonstrate the industry's commitment to achieve positive outcomes for investors.

IFIC encourages the industry to take a uniform approach to CRM2 reporting in the interest of investors, by adopting the approach reflected in these materials.


Continuing Education Module
IFIC and its education arm, IPSE Institute, have a new continuing education module designed for financial advisors about disclosure requirements under regulatory changes known as CRM2.

The module includes a sample account statement and a similar set of plain language explanations of key elements of the account statement, and sample cost and performance financial advisors about disclosure requirements under regulatory changes known as CRM2.

The course presents advisor-client conversations on key concepts, such as individual value performance measurement, book cost, suitability, and cost disclosure.


For more information, visit IFSE.CA.

For more information, visit IFIC.CA > Member Centre > Member Resources. IFIC members can login to access additional materials.



THE INVESTMENT FUNDS INSTITUTE OF CANADA

L'INSTITUT DES FONDIS D'INVESTISSEMENT DU CANADA



IFIC.CA
@IFIC
The Investment Funds Institute of Canada

MODEL REPORT ON CHARGES AND COMPENSATION

Your Logo Here

Account Number 123456
January 1, 2016 to December 31, 2016

[Date]

Ms. Jane Doe
100 Any Street, Suite 1100
Town Square Tower
Any City, Any Province L2L 3L0

Two New Reports About Your Investments

Amount you paid for general administration	\$ 130
Amount you paid for specific transactions	\$ 116
Amount we received from others to provide ongoing services for your account	\$ 789
Total amount we received to service your account	\$1,035

This is the total amount received by our firm to provide services for your account.

- Total front-end commission – see note below
- Total commission for investments with deferred sales charges – see note below
- Total trailing commission – see note below
- Total amount received by our firm to provide services for your account

Amount we received from others to provide ongoing services for your account \$ 789

Total amount we received to service your account \$1,035

services for your account.

In addition, over the past year, we received a referral fee of \$500 from [Name of Registrant] for referring your [description (e.g., scholarship plan)] business to them.

This is not an invoice. The amounts were paid by you through your purchase of investment products or by direct withdrawal from your account. More details are provided on the following pages, along with a list of current operating charges.

It is important to understand the costs of all of your investment products because costs reduce your return.

The **second report** we are providing to you is a performance report. The performance report tells you how well your investments performed. It will help you understand whether you are on track to meet your investment goals.

For more information, please contact your financial advisor.

Sincerely,

NAME OF DEALER FIRM

Account Number 123456
January 1, 2016 to December 31, 2016

	Cost (\$)	Total (\$)
General administration of	100	
	20	
	0	
	0	
	10	
Sub-Total: Section 1		130

specific purchase.

referral fee of \$500 from [Name of Registrant] for referring your [description (e.g., ...

paid either at the time of your initial purchase, or when you take money out of the fund. ...

... you paid \$106 in this type of commission. ...

... your full deposit is sent to the investment fund manager. Upon receipt, the ...

... we past year, we received \$503 in this type of commission for your investments. ...

... you might pay a deferred sales charge to the investment fund manager for the ...

... sales charges usually decline to zero after a specific number of years.

... the investment fund manager a "management fee" for managing the fund. Your ...

... management fee" to us for the services and advice we provide to you on an ...

... trailing commission" and is paid each year for as long as you own the fund. Over ...

... received \$286 in trailing commission for your investments. Part of the trailing ...

... or account and to provide you with advice. Be sure to seek this advice by talking to ...

... financial plans.

... The costs of any investment are important, whether they are charged directly or ...

... information about management fees and other charges to your investment funds ...

... and. Ask your financial advisor or fund manager for a copy.

... report that shows your personal rate of return after costs have been deducted.

MODEL REPORT ON INVESTMENT PERFORMANCE

Your Logo Here

Account Number 123456
January 1, 2016 to December 31, 2016

[Date]

Ms. Jane Doe
100 Any Street, Suite 1100
Town Square Tower
Any City, Any Province L2L 3L0

Your Investment Performance

Dear Ms. Doe,

This report tells you how your investments have performed with us as of December 31, 2016, after costs have been deducted.

Your investments increased by \$2,928.85 during the past year. Your rate of return over the year is 5.51%.

Category	Value
You started the year with	\$51,063.49
Your deposits minus withdrawals totaled	-\$1,200
You ended the year with	\$52,792.34

Account Number 123456
January 1, 2016 to December 31, 2016

Account with Us

and the value of your investments to change.

	Past year	Since you opened your account with us (insert date)
	\$51,063.49	\$0.00
	\$4,000.00	\$21,500.00
	\$(5,200.00)	\$(5,200.00)
Account	\$2,928.85	\$36,492.34
	\$52,792.34	\$52,792.34

Your investments increased by \$36,492.34 since you opened your account with us. Your rate of return over this time is 13.09% per year.

Category	Value
Your deposits minus withdrawals since you opened your account with us totaled	\$16,300
You ended the year with	\$52,792.34

your account. When you review your with, and the value of the advice

"money weighted" method. This because it takes into consideration

enchmarks do not reflect the costs y comparable to a benchmark.

If you have a personal financial plan, it will contain a target rate of return, which is the return required to achieve your investment objectives. By comparing the rates of return you actually achieved shown in the chart) with your target rate of return, you can see whether you are on track to meet your investment objectives.

ns and losses of an investment, centage.

third phase of the CRM2 requirements. The industry is encouraging to facilitate investor understanding. Visit IFIC.ca for updates and other tools to help you implement CRM2 effectively.

ADVISOR INSIGHTS ON VARIOUS TOPICS

ADVISOR INSIGHTS JULY 2015

CRM2 Myths and Facts

This fact sheet focuses on frequent factual errors observed in media coverage about the timing and content of CRM2 reporting requirements. It has been prepared to provide advisors with accurate information about key aspects of CRM2. The same information has been provided to journalists in an effort to improve the accuracy of media coverage.

Myth #1: CRM2 applies mainly to mutual funds.

Fact: CRM2 applies to more than mutual funds. It applies to securities sold in Canada and purchased in the regulated with any Canadian securities commission. The securities commissions are encouraging firms to non-regulate products in client reporting, to the extent possible.

Myth #2: The 2015 statement changes take effect in July 2015.

Fact: These statement changes came into effect as of December 31, 2015.

Myth #3: Investors will begin receiving the two new annual reports as of July 15, 2016.

Fact: This rule came into effect on July 15, 2016, at which advisors have 90 days in which to begin adapting their reporting. In the majority of cases, investors will receive these reports early in 2017. This is because firms are choosing to provide the information on a 90-day basis (January 15 December).

ADVISOR INSIGHTS JULY 2015

Benchmarks Disclosure

Effective July 15, 2016, advisors must provide a general description of benchmarks to their clients. This requirement is part of the new rules prescribed by the Canadian Securities Administrators (CSA). The rules are often referred to as CRM2, which stands for Client Relationship Model, Phase 2.

When CRM2 means for mutual funds is that investors will receive timely, easy-to-understand, detailed information about the cost and performance of their funds. In the first phase, effective July 15, 2016, the industry must provide a description of benchmarks, and also make disclosure of costs. More information on pre-trade cost disclosure is provided in a separate issue of these insights.

The benchmarks requirement can be met by adding a description of benchmarks to the Relationship Disclosure Document. The description should be written in plain language so that consumers at all levels of financial knowledge will understand the concept.

On page 2 of 8, a description (also available in French) of benchmarks that IFC has prepared to assist you in updating your Relationship Disclosure Document and disclosing benchmarks with clients.

What's ahead?

CRM2 is being phased in over three years. By July 2016, investors will begin to receive statements showing, in dollar amounts, the costs associated with each of their products. A separate assessment will tell investors how well their investments have performed in dollar terms and percentage terms over several time periods.

The mutual funds industry supports CRM2 and believes the changes will allow investors to make better informed decisions about their investments. Investor advisors are more committed to having and creating a more secure financial future for their investors and their families.

ADVISOR INSIGHTS JULY 2015

Pre-Trade Disclosure

Effective July 15, 2016, clients must be advised of the costs (premiums or deferred) associated with the sale or purchase of a security, including mutual funds, investment funds and ETFs. This requirement is part of the new rules prescribed by the Canadian Securities Administrators (CSA). The rules are often referred to as CRM2, which stands for Client Relationship Model, Phase 2.

When CRM2 means for mutual funds is that investors will receive timely, easy-to-understand, detailed information about the cost and performance of their funds. In the first phase, effective July 15, 2016, the industry must provide a description of benchmarks, and pre-trade disclosure of costs. More information on benchmarks disclosure is provided in a separate issue of Advisor Insights.

Q: What costs must be disclosed?

The following costs must be disclosed:

- The charges your client will pay for the purchase, or a reasonable estimate of the actual amount to not known at the time of disclosure.
- Details of any deferred charges that the client might be required to pay, including the fee schedule that will apply.
- Any trailing commissions that will be received.

The CSA has recommended that advisors explain the following items to their clients during pre-trade disclosure. This information can be found in the Fund Facts:

- Management fee
- Sales charge or deferred sales charge option available to the client
- Any other redemption fees or withdrawal fees that may apply
- Trading commission, or other investment fees
- Expenses regarding front end loads
- Fees related to the client changing or switching investments

The following items are not required as part of pre-trade disclosure:

- Account opening charges
- Foreign exchange spreads
- Margins that cannot be attributed to a specific transaction

ADVISOR INSIGHTS NOVEMBER 2015

Advice Creates Strong Value for Canadians

Research has shown that having a financial advisor offers significant benefits to Canadians and to the economy. Here are some findings from studies that were completed in recent years that you might want to share with your clients.

Advice significantly enhances long-term savings.

- Investors who work with advisors for 10 years or more accumulate 2.7 times more in savings than comparable investors without advice.

Advice is accessible to all Canadians, whether the amount they have to invest is large or small.

- 87% of mutual fund investors had less than \$1,000 in financial assets when they first started using an advisor and 88% had less than \$25,000.

Financial Advisors Help You Build Wealth

Financial advisors help you build wealth by providing personalized advice and investment solutions. They help you understand your financial goals and create a plan to achieve them. They also help you monitor your investments and make adjustments as needed.

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IFC-GLOBE AND MAIL INVESTMENT FUNDS

INVESTMENT FUNDS

SPONSOR CONTENT

Not sure if investing confuses you? So, how is your portfolio performing?

Just wish there was something to tell you exactly what's going on with my money?

THURSDAY, FEBRUARY 7, 2016

SOCIETY

You've worked harder for your money and made smart investments to ensure your money grows faster. But perhaps you don't feel that confident that you've chosen the right investments to grow your money. Or maybe you've even put your investments in a fund that feels too complicated.



Help is on the way.

New standards will help investors better understand their investments and make informed choices

If you're a Canadian investor, you know that the market has been volatile in recent years. But you may not be aware of the new standards that will help you understand your investments better.

Our ultimate goal is to help you understand your investments better and make informed choices.

The industry is working hard to help you understand your investments better and make informed choices.

These changes will help you understand your investments better and make informed choices.

These changes will help you understand your investments better and make informed choices.

These changes will help you understand your investments better and make informed choices.

INSIDE: IFC's new standards will help you understand your investments better and make informed choices.

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BRIDGEHOUSE INVESTMENTS

THE GLOBAL MARKET NEVER SLEEPS. NEITHER DO WE.

In today's market, finding the best opportunities takes global perspective. Our clients have seen this investment opportunity in the global market more than 20 countries. For our expertise to work for you, we do our homework first.

Investment, trading, compliance, management fees and expenses of up to 3% per annum. Please read the prospectus before investing. Minimum investment of \$25,000. Bridgeline Investment Services is a registered investment advisor.

IFC: 2 • SPONSOR CONTENT

INVESTMENT FUNDS

87%

To meet their financial goals, Canadians increasingly confirm in mutual funds (87%) than other financial products such as stocks (62%), GICs (63%) and bonds (55%) (Survey, 2015)

SURVEY

Funds industry leverages technology collaboration to meet evolving needs of investors

By collaborating with an industry with expertise and with investors' mutual fund companies, the industry is continuously evolving to meet investors' needs.

The fund industry is working hard to help you understand your investments better and make informed choices.

The fund industry is working hard to help you understand your investments better and make informed choices.

What new information can investors expect to receive?

The industry is making several changes to provide investors with clearer information. The changes will help you have better conversations with your financial advisor about your progress towards your financial goals here's how.

RELATIVE FUND FACTS BEFORE YOU BUY	NEW INFO ON ACCOUNT STATEMENTS	TWO NEW RESEARCH SERVICES TO HELP YOU INVEST
Beginning May 2016, you will receive a summary of the fund's performance relative to its benchmark and other funds in the same category.	Starting December 2015, all account statements will include a summary of the fund's performance relative to its benchmark and other funds in the same category.	Two new research services will be available to help you make informed choices about your investments.

Myths and facts about the changes you will see

MYTH 1: The change will be too complicated for me to understand.	FACT 1: The change will be simple and easy to understand.
MYTH 2: The change will be too expensive for me to afford.	FACT 2: The change will be free of charge.
MYTH 3: The change will be too risky for me to invest in.	FACT 3: The change will be a safe investment.

We bring global perspective to your investments.

For a limited time, you can get up to \$1,200* bonus when you invest your RRSP or TFSA in iVISC Investment Funds (Canada) Inc.

Visit www.ifs.com to learn more.

IFC: 8 • SPONSOR CONTENT

INVESTMENT FUNDS

2.02%

The average cost of ownership through advice is 2.02% in Canada (excluding the impact of taxes) and 2.04% in the U.S. (Investment Advisor, 2015)

PORTFOLIO PERFORMANCE

Data suggests staying invested through downturns pays off

When you stay invested through downturns, you are more likely to see your investments grow over the long term.



Investors who stay invested through downturns are more likely to see their investments grow over the long term.

How much should you invest and where?

What if you have a complaint?

Will you be financially ready for retirement?

When you buy a mutual fund, what do you really own?

7 DRIVERS OF A SUCCESSFUL ADVICE RELATIONSHIP

1. Clear communication

2. Transparency

3. Consistency

4. Collaboration

5. Accountability

6. Education

7. Trust

For answers to these questions and more visit IFC.ca Investor Centre

TOOLS AVAILABLE ON IFIC'S WEBSITE



The Voice of Canada's Investment Funds Industry



- Member Centre
- Membership Benefits
 - Gain Insights with IFIC Weekly Update
 - Compensation Survey
 - Member Discounts
- Member Engagement
- Member Resources
- Regulatory and Other External Links
- Membership Directory

Member Resources

IFIC members are making IFIC-produced CRM communications tools available to all industry participants in the belief that consistent communication through broad sharing of these materials is of benefit to investors.

Here you will find resources that will help dealers meet the new requirements and help advisors build their knowledge and talk to their clients about the changes arising from CRM2 and the value that an advisor delivers. New tools will be added over the coming months, including additional issues of the advisor-focussed information bulletin **Advisor Insights**. **Advisor Insights** is in plain Word format so that dealers can apply their own branding to the materials. An IFIC-branded version is also available.

Please check back often for updates.

Note: If you are an IFIC member, please login to access the complete roster of member resources.

For Dealers and Advisors

[Advisor Insights: Advice Creates Strong Value for Canadians](#)

This document highlights findings from research studies that were completed in recent years showing that having a financial advisor offers significant benefits to Canadians and to our economy.

[Dealer Checklist: CRM2 – 2015 Requirements \(updated September 2015\)](#)

Outlines new information that dealers must include on clients' account

A red-bordered box containing an event announcement. The text reads: 'Operations Day', 'Meet the challenges that lie ahead for you, your firm and the industry.', 'Wednesday, November 18', 'Toronto Board of Trade', and 'Registration is Now Open!'.

A red-bordered box containing a login form. It has the text 'Members Log In Here' with a key icon, an email input field with 'apeternel@ific.ca', a password input field with '*****', a 'LOG IN' button, and a link 'Get an account Reset password'.

IFIC.CA

> MEMBER CENTRE

> MEMBER RESOURCES

New tools will be released soon!



RAISING PUBLIC AWARENESS OF CRM2

- Community newspapers
- LinkedIn postings
- Tweets
- Online magazine: Informed Investor
(InformedInvestor.ific.ca)
- IFIC's Online Investor Centre

