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# Total Cost Reporting for Investments Funds & Segregated Funds

## Voluntary Industry Implementation Framework for Operational & Technological Considerations

Document dated as of February 23, 2024

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# 1 PREAMBLE - TOTAL COST REPORTING

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*This document constitutes an implementation framework (**Implementation Framework**). This Implementation Framework is intended to assist industry members with the implementation of Total Cost Reporting (TCR).*

***Disclaimer: This document is provided for information purposes only and sets out the views of industry association members only pertaining to Total Cost Reporting regulation. It has no official status and does not replace any rule guidance or interpretation issued by regulatory authorities on the subject matter. Official rules, guidance or interpretation shall prevail over this document. It is the responsibility of each firm to ensure they abide by the regulations. This document does not constitute legal advice from any industry association and does not establish any legal duties or obligations of any industry association to any of its members or any other party and cannot be used for this or any similar purpose. This document does not provide any advice or make any recommendation on a particular course of action to any party. Each party must do its own thorough analysis of any proposed course of action or other solution concerning Total Cost Reporting.***

On April 20, 2023, by a [joint notice of publication](#) (**Notice**), the Canadian Securities Administrators (**CSA**) released the final amendments to National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) and its Companion Policy (**31-103CP**). The Canadian Council of Insurance Regulators (**CCIR**) also published its *Individual Variable Insurance Contract Ongoing Disclosure Guidance* (**Insurance Guidance**) regarding Total Cost Reporting (**TCR**) for Investment Funds and Insurance Segregated Funds (collectively, the **TCR**).<sup>1</sup>

In this document the term *dealers and PM firms* (**Dealers and PM firms**) refer to registered dealers and advisers as identified in the Notice. Where:

- Dealers refer to registered CIRO Dealer member firms that are investment dealers or mutual fund dealers in accordance with securities legislation.
- Advisers refer to registered CSA Portfolio Manager (**PM**) firms.

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<sup>1</sup> The Canadian Investment Regulatory Organization (CIRO) rules and insurance regulators have yet to amend their rules as of February 15, 2024

## 2 SUMMARY OF THE CHANGES

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### 2.1 SECURITIES SECTOR – INVESTMENT FUNDS

#### 2.1.1 Reporting of investment fund cost information in Annual Report on Charges and other Compensation

Section 14.17 of NI 31-103 requires reporting the following information in the Annual Report on Charges and other Compensation (**ARCC**), for the account as a whole, for all investment funds securities owned by a client during the annual reporting period covered by the report, with the exception of Labour Sponsored Investment Funds (**LSIFs**) and prospectus-exempt funds<sup>2</sup>:

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

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

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

- the total investment fund expenses and charges, consisting of the total amount of (a) the fund expenses and (b) the direct investment fund charges
- the total costs of investing, consisting of the total amount of (a) the registered firm's charges, which are required to be reported under current requirements and (b) the total investment fund expenses and charges, which are newly required under the TCR less (c) management fee rebates provided to the investor which are required to be reported under current requirements.
- for segregated funds, fund expenses and other fees charged directly to the contract owner must be disclosed. See Appendix B, section 15.1 3) Fees and Charges – Contract of this document.

#### 2.1.2 Notifications to clients in ARCC

Section 14.17 of NI 31-103 requires the following additional notifications (i.e. in addition to those required by CRM2) to be included in the ARCC:

- a notification explaining to clients how they can take action based on the information provided in the report;

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<sup>2</sup> This refers to investment funds distributed solely under a prospectus exemption, generally referred to as “pooled funds” or “private funds”.

- if the client owned investment fund securities during the period covered by the report:
  - a) a notification which provides explanations to clients concerning fund expenses;
  - b) a notification which refers clients to fund issuers' documents for more information about fund expenses and fund performance, and to their account statements for information about their current holdings;
- if deferred sales charges (DSC) were paid by the client, an explanation of those charges;
- if other direct investment fund charges were charged to the client, an explanation of those charges;
- if information reported about the fund expenses, direct investment fund charges or fund expense ratio(s) is based on an approximation or any other assumption, a notification that this is the case<sup>3</sup>;
- if a structured product, LSIF or prospectus-exempt investment fund securities were owned by the client, a notification that such products have embedded fees which may not be required to be reported in the ARCC;
- if the registered firm knows or has reason to believe that the client paid custodial fees, intermediary fees or interest charges to third-parties related to securities owned by the client, a notification that such charges or fees may not be reported in the ARCC; and
- if any foreign funds were owned by the client, a notification that information about those funds may not be directly comparable to equivalent information for Canadian investment funds, and that it may include different types of fees.

Some of the above notification requirements must be in the prescribed wording (or substantially similar) provided by the CSA. Refer to section 14.17 of NI 31-103 for the detailed notification requirements. See Appendix A, section 14.1 of this document for sample disclosure.

### 2.1.3 Investment Fund Manager (IFM) duty to provide information to Dealers and PM firms

Expansion of the IFM's duty to provide information under section 14.1.1 of NI 31-103 to encompass the additional information Dealers and PM firms are required to deliver to clients under the subsections 14.17(1)(i), (j), (m), (p), (q), (r) and (t) of NI 31-103.

Section 14.1.2 of NI 31-103 "*Determination of fund expenses per security*" was added to specify what information IFMs should provide Dealers and PM firms to allow them to comply with section 14.17(1)(i) of NI 31-103, as well as to specify the formula IFMs must use to calculate the fund expenses per security for the day (**Daily Cost Factor**). Dealers and PM firms are required to use this information provided by IFMs as an input in the formula prescribed under section 14.17(6) of NI 31-103 for calculating the aggregate amount of fund expenses charged to the client by the investment fund for the annual reporting period.

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<sup>3</sup> A detailed description of those approximations or assumptions is not required to be reported.

#### 2.1.4 Use of reasonable approximations

Subsection 14.1.2(2) of NI 31-103 was added to allow for the use of approximations by IFMs unless doing so would result in misleading information being reported to clients or Dealers and PM firms:

- paragraph 14.1.2(2)(a) of NI 31-103 allows IFMs to use a reasonable approximation of the inputs referenced in the formula for calculating the fund expenses per security of the applicable class or series of the securities of the investment fund for the day; and
- paragraph 14.1.2(2)(b) of NI 31-103 allows IFMs to provide Dealers and PM firms with a reasonable approximation of the information required for Dealers and PM firms to report the aggregate amount of fund expenses, aggregate amount of direct investment fund charges and fund expense ratio for each class or series of investment fund securities.

Subsection 14.17(8) of NI 31-103 allows Dealers and PM firms to report reasonable approximations to their clients, in the case where reasonable approximations are provided by IFMs or where a dealer or adviser obtained or determined a reasonable approximation in the exceptional circumstance set out under section 14.17.1(2)(a) of NI 31-103.

31-103CP guidance discusses the CSA expectations with respect to the use of reasonable approximations in the case of exceptional circumstances.

Section 3 of this document provides general information on the use of reasonable estimates and approximations for the purpose of this Implementation Framework document.

#### 2.1.5 Calculation methods for aggregate cost information

Subsection 14.17(6) of NI 31-103 specifies the formula which Dealers and PM firms must use for calculating the aggregate amount of fund expenses charged to an investment fund by its IFM in relation to securities of investment funds owned by the client during the annual reporting period.

In summary, for each day in the annual reporting period, Dealers and PM firms must multiply the fund expenses per security for that day by the number of units or shares of that security owned by the client on that day, for each class or series of investment fund securities owned by a client. Dealers and PM firms must then add together the resulting amounts for each class or series of investment fund securities owned by a client and for each day in the annual reporting period to obtain the aggregate amount of fund expenses for that annual reporting period.

For segregated funds a similar approach should be taken to calculating the aggregate amount of fund expenses. See Part 4.2 of the CCIR Guidance which includes a harmonized formula for Calculating Fund Expenses with section 14.1.2 (1) of NI 31-103. See also section 2.2 of this document.



## 2.1.6 Reporting of fund expenses (in dollars), direct investment fund charges, and fund expense ratio (in percentage) by Dealers and PM firms

Section 14.17.1 of NI 31-103 specifies that the TCR information Dealers and PM firms are required to deliver to their clients must be based on the information provided by IFMs, when IFMs are required to provide this information.

Subsection 14.17.1(2)(a) of NI 31-103 provides that, in certain exceptional circumstances, such as if no information is provided by the IFM or the Dealers and PM firms reasonably believes that any part of the information provided by the IFM is incomplete or that relying on it would cause the information delivered to the client to be misleading, the registered firm must make reasonable efforts to obtain or determine the required information by other means. This subsection also allows Dealers and PM firms to obtain or determine a reasonable approximation of that information.

## 2.1.7 Exemptions

**Newly established funds** - Section 14.1.2(3) of NI 31-103 provides an exemption to IFMs not requiring them to provide information concerning the fund expenses and fund expenses ratio of newly established investment funds, considering that information about the fund expenses and fund expense ratio of such funds may not be available. The definition of a “newly established investment fund” is:

- a) for an investment fund required to file a management report of fund performance, as defined in section 1.1 of National Instrument 81-106 Investment Fund Continuous Disclosure, a fund that has not yet filed that report, or
- b) for an investment fund not referred to in paragraph (a), a fund established less than 12 months before the end of the period covered by the statement or report that is required to be delivered by the Dealers and PM firms under section 14.17 of NI 31-103.

**Non-individual permitted client** - The existing exemption under subsection 14.17(5) of NI 31-103 not requiring Dealers and PM firms to provide an ARCC to a non-individual permitted client (including, for example, many institutional investors), will continue to apply.

Apart from the exemptions identified above, there are no other exemptions or “grandfathered” provisions.

## 2.2 INSURANCE SECTOR – SEGREGATED FUNDS

The Insurance Guidance sets out the expectations of the CCIR and the Canadian Insurance Services Regulatory Organization (**CISRO**) for an enhanced disclosure framework for Individual Variable Insurance Contracts (**IVICs**). The enhanced disclosure framework includes expectations to provide more transparency to Owners and covers:

- segregated fund investment performance,
- cost reporting, and
- insurance guarantees.

The Insurance Guidance indicates insurers should provide the following information in statements to investors with respect to the cost of holding segregated fund contracts.

- the fund expense ratio (**FER**), stated as a percentage, for each segregated fund held by the client within their Segregated Fund Contract during the statement period; and
- for the Segregated Fund Contract as a whole:
  - the aggregate amount of fund expenses, in dollars, for all segregated funds held in the contract during the annual statement period;
  - the aggregate cost of insurance guarantees under the Segregated Fund Contract, in dollars, for the statement period where the insurance cost is not already included in another cost; and
  - the aggregate amount of all other expenses under the Segregated Fund Contract, in dollars, for the statement period. See Section 15 - Appendix B, section 3) a) – Fees and Charges of this document for the list of “other expenses” that must be disclosed.

The Insurance Guidance applies only to:

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

### 2.2.1 Annual Statement to Segregated Fund Contract Owner

The Insurer shall provide to the Owner/Beneficial Owner regardless of account type (includes client, nominee and intermediary name accounts), within four months of each fiscal year end of the Segregated Funds within the IVIC, a statement showing the information described in Schedule A entitled “Minimum Content of Annual Statement” (see Appendix B section 15.1 of this document).

Insurers may request exemptions from specific expectations in Schedule A entitled “Minimum Content of Annual Statement” from CCIR by submitting a request in accordance with Schedule B entitled “Modified Compliance and Exemptions” (see Appendix B section 15.2 of this document) and section 12. of this document under the heading “Exemptions for Legacy”.

### 2.2.2 Calculating Fund Expenses

Insurers must calculate and report the amount of a Segregated Fund’s Fund Expenses allocated to an IVIC based on:

- a. how many Segregated Fund units the Owner held in the IVIC, and

- b. when the Owner held the Segregated Fund units during the reporting period.

Insurers must use the following formula to calculate the Fund Expenses of an applicable class or series of Segregated Fund for each day an Owner held units of the applicable class or series of the Segregated Fund during the reporting period, making any adjustments reasonably necessary to accurately determine an Owner's Fund Expenses.

$A \times B \times C$

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

### 2.2.3 Use of Reasonable Approximations

Insurers may use a reasonable approximation of the fund calculation inputs "A" and "B" provided the Insurer reasonably believes that doing so would not result in reporting misleading information to an Owner. For example, a reasonable approximation may include estimating the Fund Expense Ratio for the day by dividing the Segregated Fund's FER published in the recent Fund Facts document or financial statement by the number of days in the year. While FER information is not currently reported on fund facts, it is planned to be added as a requirement. Discussion is taking place with CCIR on that topic. It would be misleading to use this estimation if the Insurer knows there has been an event which resulted in a significant change to the FER since the document was published. Adjustments should be made to avoid being misleading.

The requirements applicable to investment funds can be applied with appropriate modification for segregated funds. See section 3 – Use of Reasonable Estimates and Approximations of this document.

For reporting an Owner's Fund Expenses under Schedule A (see Appendix B section 15.1 of this document), Insurers must repeat the calculation for each class or series of Segregated Fund which the Owner held units of during the reporting period and aggregate the results.

Insurers are not required to calculate and report the Fund Expenses of a Segregated Fund which was established less than 12 months before the Statement Date.

### 2.2.4 Calculation of Trading Expense Ratio

The Trading Expense Ratio of a Segregated Fund for any financial year shall be calculated by:

- a. dividing

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

If a Segregated Fund invests in a Secondary Fund, the insurer must calculate the Trading Expense Ratio using the methodology required for the calculation of the Management Expense Ratio in section 8.1 of CLHIA G2 – Calculation of Management Expense Ratio, making reasonable assumptions or estimates when necessary.

### 2.2.5 Reminder to Update Customer Information

Each Insurer must, on an annual basis, take reasonable steps to:

- a. invite each Owner to contact and update their distributor about any Material Change to Customer Information since the last time the Owner provided information to their distributor,
- b. explain why it is important for the Owner's distributor to have up-to-date information; and
- c. invite each Owner to review the IVIC, IVIC Structure and Investment Options they selected for each IVIC held and discuss proposed changes with their distributor.

For clarity, it is a reasonable step for an Insurer to include these elements in its annual statement to an Owner.

### 2.2.6 Application of Document

Further information about segregated funds is located in section 12.3 – Product Specific Considerations under section 12.3 entitled “Segregated Funds”. Sections 3 to 11 of this document focus on a discussion of requirements for TCR reporting from an investment fund perspective but some brief notes are also included about applicability to segregated funds and the section are generally applicable with appropriate modification to segregated funds.

### 3 USE OF REASONABLE ESTIMATES AND APPROXIMATIONS

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When IFMs are determining the Daily Cost Factor (i.e. fund expenses per security for the day), IFMs may use reasonable estimates and approximations as permitted by subsection 14.1.2(2) of NI 31-103, provided the use of reasonable approximations would not result in misleading information being reported by the Dealers and PM firms to their clients. 31-103CP guidance also encourages exact information where doing so would not incur unreasonable cost and/or delay.

For determining reasonable approximations, IFMs may rely on information in an investment fund's most recently published fund facts document, ETF facts document, prospectus or management report of fund performance (**MRFP**) provided there has been no significant change in the information and its publication date is not greater than 12 months previous.

Dealers and PM firms may obtain or determine a reasonable approximation by other means for reporting of fund expenses, direct investment fund charges, and fund expense ratio (percentage) in certain exceptional circumstances (i.e., where there is no information provided by an IFM or the Dealers and PM firms reasonably believes any part of the information provided by an IFM is incomplete or relying on it would result in information reported to a client to be misleading). See section 14.17.1 of 31-103CP for examples of such exceptional circumstances.

In the case of the above exceptional circumstances, if the Dealers and PM firms are not able to determine a reasonable approximation by other means, they may exclude the information from the calculation of fund expenses and direct investment fund charges and reporting of the fund expense ratio (percentage). Disclosure must be provided in the ARCC that it was excluded or not reported, as the case may be.

The CSA expects IFMs to exercise their professional judgment in determining what approximations are reasonable. The CSA expects Dealers and PM firms to rely on their professional judgment when determining or obtaining a reasonable approximation in the case of the exceptional circumstances referred to above.

The inclusion of a notification (i.e. disclaimer) that reported cost information is based on an approximation or any other assumption is required.

The TCR information is not meant for clients to use as part of their tax reporting obligations.

In summary, the following key points should be considered:

**Approximations may be used as follows:**

- By IFMs, for determining the Daily Cost Factor (i.e. fund expenses per that security for the day), direct investment fund charges, and the fund expense ratio for each class or series of investment fund securities;
- By IFMs, for inputs referenced in the formula for calculating the fund expenses per that security for the day;

- By Dealers and PM firms, for calculating the aggregate amount of fund expenses and aggregate amount of direct investment fund charges, and reporting the fund expense ratio for each class or series of investment fund securities, where no information was provided by an IFM or they reasonably believe that the information provided by an IFM is incomplete or relying on it would result in misleading information reported to a client.

**Reasonable Approximations:**

- Professional judgement to be exercised in determining what approximations are reasonable.
- Not acceptable if an approximation would result in misleading information being reported to a client.

**Cumulative Approximations:** There is a need to consider the cumulative effect of multiple approximations in assessing their reasonableness and whether their combined use may cause misleading information to be reported to clients, notwithstanding that any one such approximation may be reasonable in itself.

**Exact Information Encouraged:** IFMs are encouraged to provide exact information wherever they are able to do so provided the use of exact information does not result in an unreasonable cost or delay.

**Foreign investment funds:** For reporting TCR information of foreign investment funds (i.e. those in scope under the TCR regulations), it is generally acceptable for Dealers and PM firms to use a reasonable approximation based on similar information which is required to be reported in the foreign fund’s jurisdiction, if more accurate information cannot be obtained by other means using reasonable efforts.

For example:

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

**Segregated Funds**

Section 4.3 of the CCIR Guidance states that insurers may use reasonable approximations for the fund expense ratio for the day and market value of a unit for the day provided that the insurer reasonably believes that doing so would not result in reporting misleading information to an owner. A reasonable approximation may include estimating the fund expense ratio for the day by dividing the segregated fund’s FER in the most recent Fund Facts document or financial statement by the number of days in the year. If there has been a significant change to the FER since the publication of the fund facts or financial statements, adjustment should be made to avoid being misleading. See section 2.2.2 of this document for further discussion.

The requirements applicable to investment funds discussed above can be applied with appropriate modification for segregated funds.

## 4 PRODUCTS IMPACTED

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The regulatory amendments commonly referred to as Total Cost Reporting (TCR), have been published by two regulators:

- The Canadian Securities Administrators (**CSA**)
- The Canadian Council of Insurance Regulators (**CCIR**)

Therefore, the products impacted by these regulatory changes fall in two main categories:

- Securities sector
- Insurance sector

The sub-sections below summarize the impact on each sector.

### 4.1 SECURITIES SECTOR

The Securities Amendments apply to all investment funds, excluding prospectus-exempt funds (which includes private pooled funds) and labour-sponsored investment funds (**LSIF**). This means scholarship plans, exchange traded funds (**ETFs**) and foreign investment funds that are not prospectus-exempt are included.

Products in scope for the TCR requirements include, but are not limited to, the following:

- Mutual Funds, (Prospectus)
- Liquid Alternatives Mutual Fund Trust (Prospectus)
- Exchange Traded Alternative Mutual Fund Trusts (Prospectus)
- Exchange-Traded Funds (ETF)
- Split Shares Funds
- Scholarship Plans
- Closed end Funds
- Foreign Funds

Products that are not in scope for TCR reporting but for which there is a notification requirement<sup>4</sup> include, but are not limited to, the following:

- Structured Products
- Prospectus-exempt funds (including Private Funds/Pooled Funds)
- Labour-Sponsored investment Funds (LSIF)

Product completely out of scope include, but are not limited to, the following:

- All other products not under investment funds (e.g. equities, bonds, etc.)

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<sup>4</sup> See section 11.1.5 of this document for the notification requirement for these products.

## 4.2 INSURANCE SECTOR

The Insurance Guidance applies to funds that fall under insurance regulations.

Products in scope are limited to:

- Individual variable insurance contracts (IVICs) (i.e. Segregated Funds or Guaranteed Investment Funds sold to an individual)

Products out of scope include, but are not limited to, the following:

- Group variable insurance products
- Any other non-IVIC insurance products



## 5 FUND EXPENSE (DAILY COST FACTOR) IN DOLLARS

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Dealers and PM firms, (and insurance companies/segregated fund carriers in the annual statement) must report to a client in the ARCC the total amount of fund expenses, in dollars, for all investments funds owned by a client during the annual reporting period. Producing this number will require IFMs to calculate the Daily Cost Factor information, and the calculation of the total amount of fund expenses for all investments funds securities and segregated funds owned by a client during the year, on the part of the Dealers and PM firms and insurance companies/segregated fund carriers.

The Daily Cost Factor “C” is to be calculated as follows:

$$A \times B = C$$

Where:

A = the fund expense ratio (FER) 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.

For variable A,  $FER = MER + TER$

Where:

**MER** = the MER is the combined costs of managing a fund including operating expenses and taxes. An MER is made up of several components. These components may be different across different series of the same fund. The MER is calculated in accordance with Part 15 of National Instrument 81-106 *Investment Fund Continuous Disclosure*.

**TER** = the amount of trading commissions incurred when the portfolio management team buys and sells equities (stocks) within a given fund. The TER is calculated in accordance with Item 3 of Part B of National Instrument 81-106F1.

**FER** = the 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).

## 5.1 DAILY COST FACTOR CALCULATION & QUALITY CONTROL

To calculate variable “C”, the Daily Cost Factor, expressed in dollars, IFM’s require variable “A”, the Fund Expense Ratio (FER), and variable “B”, the market value of each security which is the Net Asset Value (NAV) of an investment fund.

Currently, IFM’s calculate the MER and TER components of the FER on a semi-annual basis (i.e. every six months). When doing so the calculation is done based on the past 6 months (annualized) or 12 months data (or the available data for a newly established fund). As such the MER and TER values reported through the MRFP, Prospectus, Fund Facts, and ETF Facts, is a backward-looking value.

**Use of reasonable approximations:** As described in section 3 of this document, IFMs may use the most recently published MER and TER in the MRFP as the values for A to derive the Daily Cost Factor, or any other approximation process the IFM deems reasonable (i.e. IFMs may elect to calculate a more current FER for the Daily Cost Factor calculation).

**Controls and monitoring / periodic assessment:** To help ensure the approximation of the Daily Cost Factor transmitted to Dealers and PM firms daily will not result in misleading information being reported to the Dealers and PM firms clients, IFMs will have controls in place to monitor on a reasonable periodic basis suitable for their businesses whether there are variations (i.e. doing a current time assessment) in the MER and TER compared to the values used to calculate the Daily Cost Factors that have been transmitted to Dealers and PM firms. During these periodic assessments, IFMs will apply the “materiality assessment” (see “materiality assessment” referred to in section 8 of this document).

In summary, IFMs are encouraged to take the following into consideration:

- I. Provide the Daily Cost Factor in a timely fashion.
- II. Provide a number that depicts, as accurately as possible, the true cost of owning the fund daily.
- III. The chosen methodology should factor potential adjustments on a going forward basis.
- IV. Monitoring and quality controls should be in place to ensure a high level of accuracy in the methodology to prevent/mitigate the need for correction. For example, it is strongly encouraged that new controls need to be developed for cost reporting, including process flow maps to be determined, in the following four scenarios:
  1. Manager using discretion to lower fees;
  2. New funds;
  3. New series; and
  4. Error corrections.

## 5.2 DAILY COST FACTOR DATA FORMAT & TRANSMISSION

The Daily Cost Factor would, in most cases, be a number that is expressed in decimals.

Implementation Framework practices for the data format and transmission of the Daily Cost Factor, expressed in dollars, are suggested as follows:

- i. The format should be a number with 10 decimal places (e.g., \$0.0000000001).
- ii. The 11<sup>th</sup> decimal places to be rounded half up (e.g., \$0.00000000015 rounded half up to \$0.0000000002).
- iii. IFM's transmission frequency should be daily for each business day (transmission would not occur on weekends or holidays). Dealers and PM firms would consider the last provided Daily Cost Factor as applicable to any of those non-business days.
- iv. Non-daily priced products should also be transmitted on a daily frequency for each business day (transmission would not occur on weekends or holidays) for consistency purposes (i.e., knowing the Daily Cost Factor will remain the same every day until the next NAV is calculated).
- v. IFMs need to identify and transmit the Daily Cost Factor to one or more central repositories and/or data aggregators (**TCR Data Repositories/Data Providers**, as described in section 9 of this document) that adhere to the above suggested approach in this Implementation Framework for Dealers and PM firm consumption.
- vi. For foreign funds, where a non-business day is not the same as a valuation day (e.g. U.S. Thanksgiving) the price of the previous business day may be used.

### 5.3 NEWLY ESTABLISHED FUNDS

In all cases where a fund meets the following definition of a “newly established investment fund”:

- a) for an investment fund required to file a management report of fund performance, as defined in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, a fund that has not yet filed that report, or
- b) for an investment fund not referred to in paragraph (a), a fund established less than 12 months before the end of the period covered by the statement or report that is required to be delivered by the Dealers and PM firms under section 14.17 of NI 31-103;

Section 14.1.2(3) of NI 31-103 provides an exemption to IFMs not requiring them to provide information concerning the fund expenses and fund expense ratio of newly established investment funds, considering that information about the fund expenses and fund expense ratio of such funds may not be available.

Implementation Framework suggested approach: For a newly established fund, IFMs are to provide the Daily Cost Factor to Dealers and PM firms when the fund no longer meets the definition of a “newly established investment fund”. When a fund falls within the definition of a “newly established investment fund” and an IFM does not provide a Daily Cost Factor data, Dealers and PM firms need to provide the following notification, or a notification substantially similar, in the ARCC:

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

For segregated funds, the CCIR Guidance in Part 4, Calculating Fund Expenses section 4.5 states that “Insurers are not required to calculate and report the Fund Expenses of a Segregated Fund which was established less than 12 months before the Statement Date.”

#### 5.4 DEALERS AND PM FIRMS EXPECTATIONS

Dealers and PM firms can rely on the IFMs use of approximations and the Daily Cost Factor they transmit. As such, Dealers and PM firms will include the notification/disclaimer language required under “ss. 14.17(1)(r)” of NI 31-103 (i.e. that the information is based on an approximation) as required by “ss. 14.17(1)(r)” of NI 31-103.

Implementation Framework suggested approach: When a Daily Cost Factor is missing for a day (i.e. IFM did not provide it), the Dealers and PM firms may use the Daily Cost Factor provided from the previous day continuously until the updated Daily Cost Factor file is transmitted by the IFM. In circumstances over 30 days, Dealers and PM firms may need to consider these approximations in the context of “ss. 14.17.1” of NI 31-103 and the related section in the 31-103CP.

The TCR Data Repositories/Data Providers and/or Dealers and PM firms should establish monitors and controls of IFM transmission of the Daily Cost Factor to identify IFMs and funds where the Daily Cost Factor has not been transmitted for a significant period of time. Implementation Framework suggested approach; a significant period of time which may impact the materiality threshold may be as low as 10 days, but this period varies based on the specific circumstances.

## 6 FUND EXPENSE RATIO (FER) AS A PERCENTAGE

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In addition to the aggregate dollar cost for clients, Dealers and PM firms must also provide the FER as percentage for each fund the client has held in the year. The FER in percentage is required to be provided by IFMs to Dealers and PM firms to be reported to clients.

The total of the Management Expense Ratio (MER) and Trading Expense Ratio (TER) provides the full cost of the fund per security as the Fund Expense Ratio (FER):

$$\mathbf{MER + TER = FER}$$

Where:

**MER** = the MER is the combined costs of managing a fund including operating expenses and taxes. An MER is made up of several components. These components may be different across different series of the same fund. The MER is calculated in accordance with Part 15 of National Instrument 81-106 *Investment Fund Continuous Disclosure*.

**TER** = the amount of trading commissions incurred when the portfolio management team buys and sells equities (stocks) within a given fund. The TER is calculated in accordance with Item 3 of Part B of National Instrument 81-106F1.

**FER** = the 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).

### 6.1 FER (PERCENTAGE) CALCULATION & QUALITY CONTROL

The Fund Expense Ratio (FER) is the sum of the Management Expense Ratio (MER) and the Trading Expense Ratio (TER).

The MER is the combined costs of managing a fund including operating expenses and taxes. The MER is expressed as an annualized percentage of the daily average net asset value during the period. An MER is made up of several components. These components may be different across different series of the same fund.

The TER represents the amount of trading commissions incurred when the portfolio management team buys and sells equities (stocks) within a given fund. The TER is expressed as an annualized percentage of the daily average net asset value during the period. This percentage is determined by taking the fund's total trading commissions incurred over a reporting period divided by the fund's total assets.

Currently, the MER and TER are calculated by IFMs on a semi-annual basis (i.e., every six months) based on a backward-looking value of the prior 6 months (annualized) or 12 months past. These calculations

are reported through regulatory documents, such as MRFPs, up to a maximum of 60 or 90 days after the financial statements' date.

It is generally viewed that for this TCR disclosure requirement, the FER as a percentage is a value at the fund level and will include adjustments, rebates and expenditures at the fund level.

IFMs may decide to use the FER as a percentage from the most recently published Fund Facts/ETF Facts and/or MRFP for consistency of reporting across different documents/reporting. Alternatively, IFMs may decide to use any other approximation process the IFM deems reasonable to determine a "reasonable approximation" for the purpose of this TCR requirement.

It is incumbent on IFMs to review their regulatory requirements and decide which level of approximation they believe would achieve the best desired outcome within the framework set out by the regulators. As part of that review, IFMs are encouraged to:

- I. Provide an FER that depicts, as accurately as possible, the cost of owning the fund for the reported period (January 1<sup>st</sup> to December 31<sup>st</sup>).

## 6.2 FER (PERCENTAGE) DATA FORMAT & TRANSMISSION

The FER will always be expressed as a percentage.

Implementation Framework practices for the data format and transmission of the FER, expressed as a percentage, are as follows:

- i. The format should be a percentage with 2 decimal points (e.g. 0.01% to 99.99%).
- ii. The 3<sup>rd</sup> decimal points to be rounded half up (e.g. 1.535% rounded half up to 1.54%).
- iii. IFMs' transmission frequency would be at least twice a year. One suggested approach, IFMs may transmit this FER as a percentage data to TCR Data Providers on a daily basis (even if it is the same value daily). IFMs may adjust these values, as they determine necessary, on a going forward basis. By having a daily transmission, this will be known to Dealers. Also, in the case of terminated funds, there will be data up to the fund's termination. Also, IFMs won't need to turn it on/turn it off in terms of systems development.
- iv. Dealers and PM firms will use the latest FER as a percentage received by December 31<sup>st</sup> of the reporting period.
- v. IFMs transmit the FER as a percentage to one or more TCR Data Repositories/Data Providers that adhere to the above suggested approach in this Implementation Framework for Dealers and PM firm consumption.

## 6.3 NEWLY ESTABLISHED FUNDS

In all cases where a fund meets the following definition of a "newly established investment fund":

- a) for an investment fund required to file a management report of fund performance, as defined in section 1.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure*, a fund that has not yet filed that report, or
- b) for an investment fund not referred to in paragraph (a), a fund established less than 12 months before the end of the period covered by the statement or report that is required to be delivered by the Dealers and PM firms under section 14.17 of NI 31-103;

Section 14.1.2(3) of NI 31-103 provides an exemption to IFMs not requiring them to provide information concerning the fund expenses and fund expense ratio of newly established investment funds.

Implementation Framework suggested approach: In the case of a newly established fund, IFMs are to provide the Daily Cost Factor to Dealers and PM firms when the fund no longer meets the definition of a “newly established investment fund”. When a fund falls within the definition of a “newly established investment fund” and an IFM does not provide a Daily Cost Factor data, the Dealers and PM firms need to provide the following notification, or a notification substantially similar, in the ARCC:

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

For segregated funds, the CCIR Guidance in Part 4, Calculating Fund Expenses section 4.5 states that “Insurers are not required to calculate and report the Fund Expenses of a Segregated Fund which was established less than 12 months before the Statement Date.”

## 6.4 DEALERS AND PM FIRMS EXPECTATIONS

Dealers and PM firms can rely on the IFM’s use of approximations and the FER as a percentage provided by the IFM. As such, Dealers and PM firms will include the notification/disclaimer language required under “ss. 14.17(1)(r)” of NI 31-103 (i.e., that the information is based on an approximation) as required by “ss. 14.17(1)(r)” of NI 31-103.

Dealers and PM firms will retrieve the FER as a percentage data value most recently transmitted by IFM on or before the last business day of the reporting year (or the last reported one for a terminated fund) for use in the ARCC.

Implementation Framework suggested approach: When a FER as a percentage data value is missing (i.e., IFM did not provide it), the Dealers and PM firms may use the most recently provided FER as a percentage or the most recently published FER as a percentage in regulatory documents, such as MRFPs, by the IFM. In these circumstances, Dealers and PM firms will need to consider these approximations in the context of their obligations under “ss. 14.17.1(2)” of NI 31-103 and the related section in the 31-103CP. In line with this, Dealers and PM firms will take the latest FER as a percentage received on or before the last business day of the reporting year.

The TCR Data Repositories/Data Providers and/or Dealers and PM firms are encouraged to establish monitoring and controls of IFM transmission of the FER to identify IFMs and funds where the FER has

not been transmitted for a significant period of time. As a general Implementation Framework suggested approach, a significant period of time would be more than nine months.

There is no requirement to provide a “weighted average” for the FER reporting in percentage.



## 7 DIRECT INVESTMENT FUND CHARGES IN DOLLARS

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

The fees that are to be listed under the direct investment fund charge are fees that are applied directly to a unitholder (client) instead of being applied to the fund. All direct investment fund charges are transactional resulting in an increase or decrease to the units of the fund holding, depending on if the direct investment fund charge is a fee or rebate. This direct investment fund charge may be paid or rebated in dollars or in units of the fund. As such, Dealers and PM firms are already provided with the information and must identify each element that needs to be reported as part of the Total Cost Reporting of direct investment fund charges.

For example, the IFM generally provides a management fee rebate for clients with a certain amount of assets invested within the fund. This rebate is normally applied to a specific client through a distribution of units (i.e., rebate) and this will be captured through the direct investment fund charge reporting.

### 7.1 EXAMPLES

#### 7.1.1 Examples of direct investment fund charges

Direct investment fund charges in scope includes, but are not limited to, the following:

- a. Switch Fees
- b. Redemption Fees
- c. Deferred Sales Charge Fees
- d. Short-Term/Frequent Trading Fees
- e. Management Fee Rebates (**MFR**)<sup>5</sup>
- f. Transfer Out Fees
- g. Management Fees<sup>6</sup>
- h. Administration Fees<sup>7</sup>
- i. Performance Fees<sup>8</sup>
- j. Sales Taxes
- k. Negotiated Service Fees<sup>9</sup>

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<sup>5</sup> Only applicable for management fee rebate charged directly at the client account level and not the fund level.

<sup>6</sup> Only applicable for management fees charged directly at the client account level and not the fund level.

<sup>7</sup> Only applicable for administration fees charged directly at the client account level and not the fund level.

<sup>8</sup> Only applicable for performance fees charged directly at the client account level and not the fund level.

<sup>9</sup> Only applicable for negotiated service fees charged directly at the client account level and not the fund level.

### 7.1.2 Additional direct investment fund charges specific to the insurance sector

In addition to the above list, the insurance sector, may have the following direct investment fund charges that apply to segregated funds:

- l. Insurance Fees
- m. GMWB Fees
- n. Income Fees
- o. Guarantee Fees
- p. Rider Fees

## 8 CORRECTIONS

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IFMs have an obligation to ensure that the information they provide to Dealers and PM firms will not result in misleading information being reported in the ARCC disclosed to clients of Dealers and PM firms. This may result in IFMs making adjustments to the Daily Cost Factor and FER (percentage) information on a going forward basis or retroactively. The following are Implementation Framework suggested approach for IFMs making adjustments/corrections.

### 8.1 CONTROLS AND MONITORING/PERIODIC ASSESSMENT

As mentioned in section 5.1 of this document, to help ensure the approximation of the Daily Cost Factor transmitted to Dealers and PM firms daily will not result in misleading information being reported to Dealers and PM firms clients, IFMs should have controls in place to monitor on a reasonable *periodic basis* suitable for their businesses whether there are variations (i.e. doing a current time assessment) in the MER and TER compared to the values used to calculate the Daily Cost Factors that have been transmitted to Dealers and PM firms up to that point in time. During these periodic assessments, IFMs should apply the “materiality threshold” (see “materiality threshold” in section 8.2 below).

### 8.2 MATERIALITY THRESHOLD

Implementation Framework suggested approach: IFMs generally view using **50 bps annually** as a materiality threshold for both the Daily Cost Factor estimates/approximations adjustments on a going forward basis (see section 8.4 below) and for making retroactive error corrections to Daily Cost Factor(s) previously transmitted (see section 8.3 below). An IFM may wish to use a lower materiality threshold.

### 8.3 RETROACTIVE ADJUSTMENTS

Implementation Framework suggested approach: Through periodic assessments (see controls and monitoring/periodic assessment above) or otherwise, the IFM may detect an error in a Daily Cost Factor(s) previously transmitted. If the materiality threshold is triggered, in addition to making adjustments on a going forward basis (see section 8.4 immediately below), the IFM may make the necessary retroactive adjustments by actioning the material error correction referred to in section 8.5 below in this document. For example, if the periodic assessment (i.e., section 8.1 above) reveals an instance where a Daily Cost Factor previously transmitted to Dealers and PM firms daily for the fund was under or overstated by more than 50 bps annually (i.e. resulting from a materially incorrect estimate, an error, mistake, or omission by the IFM), the IFM may publish a retroactively restated Daily Cost Factor(s) in which case section 8.5 below in this document applies.

There would be no need for a retroactive error correction to the Daily Cost Factor previously provided to Dealers and PM firms if it was not under or overstated by more than 50 bps annually (i.e., would not result in misleading information being reported to clients of the Dealers and PM firms).

#### 8.4 ADJUSTMENTS ON A GOING FORWARD BASIS ARISING FROM ASSET-BASED FEE CHANGES, SUCH AS CHANGES TO MANAGEMENT FEES OR ADMINISTRATION FEES, AND/OR CHANGES IN ESTIMATES

Implementation Framework suggested approach: New information may get processed by the IFM, due to planned business changes (eg., management fee reductions), periodic assessments or otherwise. If the new information results in the materiality threshold being triggered, the IFM will make adjustments on a going forward basis. If the materiality threshold is not triggered, the IFM may decide to make adjustments on a going forward basis, in which case the IFM may, ***provided the go-forward information will not result in misleading information being reported to clients of the Dealers and PM firms, either:***

- i.* not reflect these changes to the Daily Cost Factor on a going forward basis, or
- ii.* reflect these changes to the Daily Cost Factor on a going forward basis (i.e. as a periodic “course correct”).

#### 8.5 IFMS MAKING RETROACTIVE ADJUSTMENTS/CORRECTIONS FOR MATERIAL ERROR

IFMs will determine if the error is material (i.e using the “materiality threshold” in section 8.2 of this document) before making a retroactive correction.

Where the materiality threshold is triggered and in addition to making adjustments on a going forward basis (see section 8.4 immediately above), the IFM will make the necessary retroactive adjustments to action a material error correction(s). When making retroactive adjustments for material error correction(s), the IFM will transmit the corrections(s) to the applicable TCR Data Repositories/Data Providers (defined in section 9 in this document) as soon as reasonably practicable and will notify TCR Data Repositories/Data Providers that a correction(s) was made.

The following is the Implementation Framework suggested approach for IFMs making retroactive adjustments when a material error correction scenario is triggered:

##### 8.5.1 Adjustments provided within the reporting period

Adjustments provided within the reporting period means a correction is provided to Dealers and PM firms between January 1<sup>st</sup> and December 31<sup>st</sup> of the reporting calendar year.

Example: For the 2026 Total Cost Reporting delivered to clients in January 2027, a correction within the reporting period would be an IFM providing one or more updates for the

Daily Cost Factor and/or FER in percentage values previously transmitted during 2026 on or before the last business day of 2026.

Dealers and PM firms will take into consideration the adjusted TCR data points when provided within the reporting period. This will be based on the reliance of Dealers and PM firms on IFM data and that it is deemed, by the IFM, to be above the materiality threshold.

#### 8.5.2 Adjustments provided outside the reporting period

Adjustments provided outside of the reporting period means a correction is provided to the Dealers and PM firms after December 31<sup>st</sup> of the reporting calendar year.

Example: For the 2026 Total Cost Reporting delivered to clients in early 2027, a correction outside the reporting period would be an IFM providing one or more updates of the Daily Cost Factor and/or FER in percentage values previously transmitted during 2026 after the last business day of 2026.

As Dealers and PM firms may have initiated their processing batches for year-end client reporting, it may be too late to make any adjustments. Dealers and PM firms will not issue corrected TCR reports. Therefore, IFMs are strongly encouraged to have monitoring and quality control procedures in place to find any adjustments that are above the materiality threshold before the end of the reporting period (i.e. last business day of the reporting year) and report necessary corrections.

#### 8.5.3 Timing for IFMs making retroactive adjustments/corrections for material errors

IFM are encouraged, through their monitoring and quality control procedures, to provide any adjustments within the reporting period. Frequent monitoring and quality control reviews will enable the IFM to detect adjustments that could trigger the materiality threshold earlier in the reporting period.

In summary, Implementation Framework suggested approach for IFMs:

- i. IFMs should endeavor to review and provide final adjustments to the Daily Cost Factor previously provided in the first 11 months of the reporting year (i.e. January to November) by no later than December 15<sup>th</sup> of the reporting year.
- ii. Increased vigilance by the IFM should be observed for the remaining last month (i.e. December) in order to avoid an adjustment or to provide an adjustment by the last business day of the reporting year.
- iii. A grace period of up to the 1<sup>st</sup> business day in the new reporting year (i.e. January) may be used by the IFM to report an adjustment for the last prior reporting period. This adjustment may be accepted by Dealers and PM firms as a last resort prior to the creation and delivery of the TCR report to clients.

#### 8.5.4 Retroactive adjustments for material error corrections for Dealers and PM firms:

In summary, Implementation Framework suggested approach for Dealers and PM firms:

- i. Dealers and PM firms need to accept corrections provided by an IFM when the IFM adhere to the Implementation Framework suggested approach in section 8.5.3 of this document.
- ii. Dealers and PM firms need to take into consideration transaction corrections impacting unit balances held by clients within the annual reporting period as long as the error corrections are identified and processed no later than the first business day of the year after the annual reporting period.

## 9 TCR REPOSITORIES/DATA PROVIDERS

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The information the IFM's calculate must be provided to the Dealers and PM firms for client reporting. This can be accomplished in many ways. Currently, some of the required information, is not available in the current Canadian ecosystem. As such IFM's, Dealers and PM firms need to identify a mechanism through which the data can be exchanged in a timely, accurate and efficient manner.

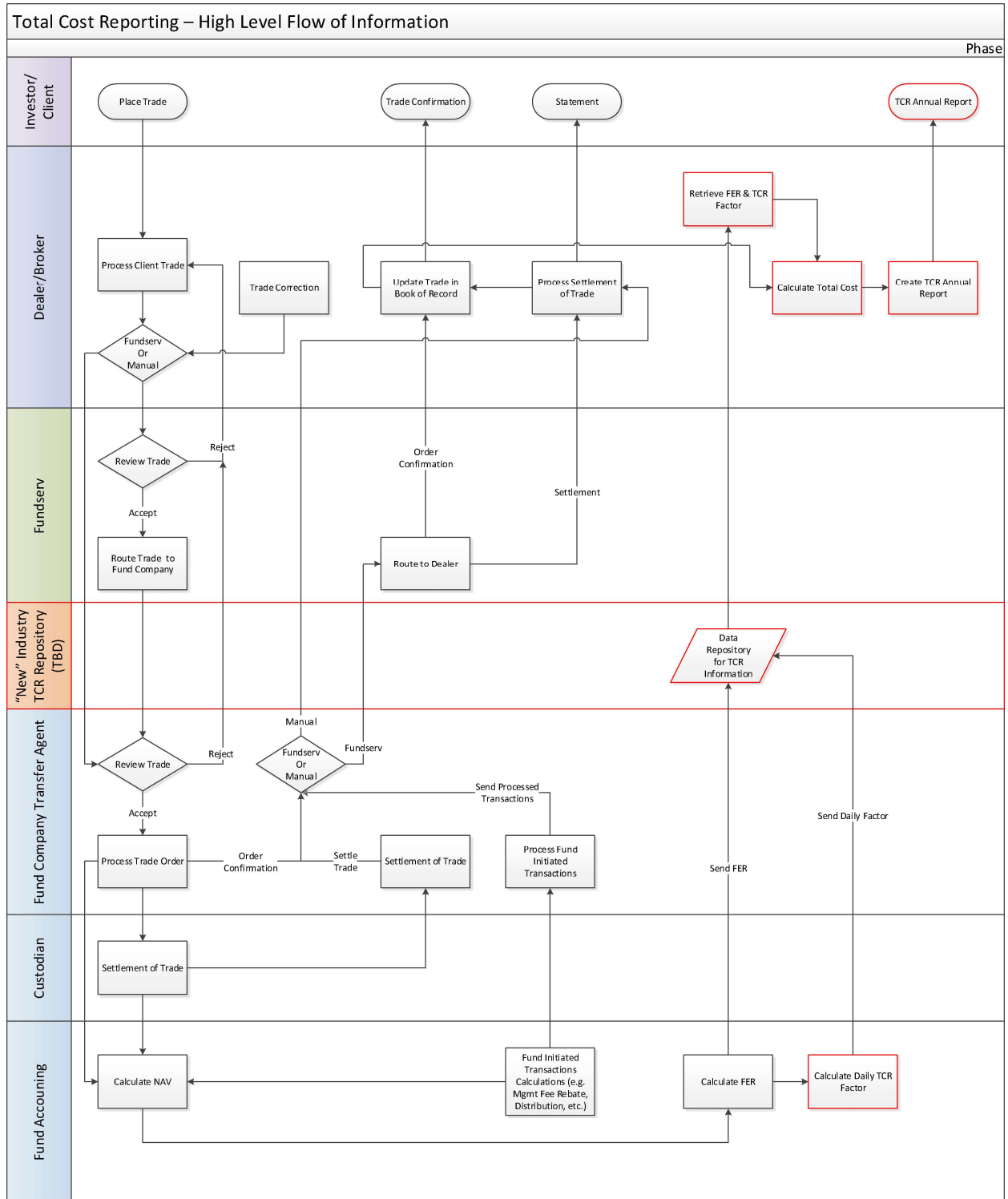
The manual bi-lateral exchange between an IFM and the Dealers and PM firms is not sustainable and efficient. Dealers and PM firms usually have multiple IFMs/product types on their shelf. Likewise, IFMs needs to support multiple Dealers and PM firms operating with various platforms. As a result, TCR Repositories/Data Providers will need to be used to facilitate the exchange of the required data for TCR reporting.

It is the responsibility of IFMs, Dealers and PM firms to review their options and based on their business needs select TCR Repositories/Data Providers that will enable them to meet the regulatory requirements of Total Cost Reporting.

These TCR Repositories/Data Providers will play a pivotal role in the costs and timelines required for this regulatory change. IFMs, Dealers and PM firms are encouraged to reach out to their service providers and TCR Repositories/Data Providers early in their solution design to meet regulatory requirements.

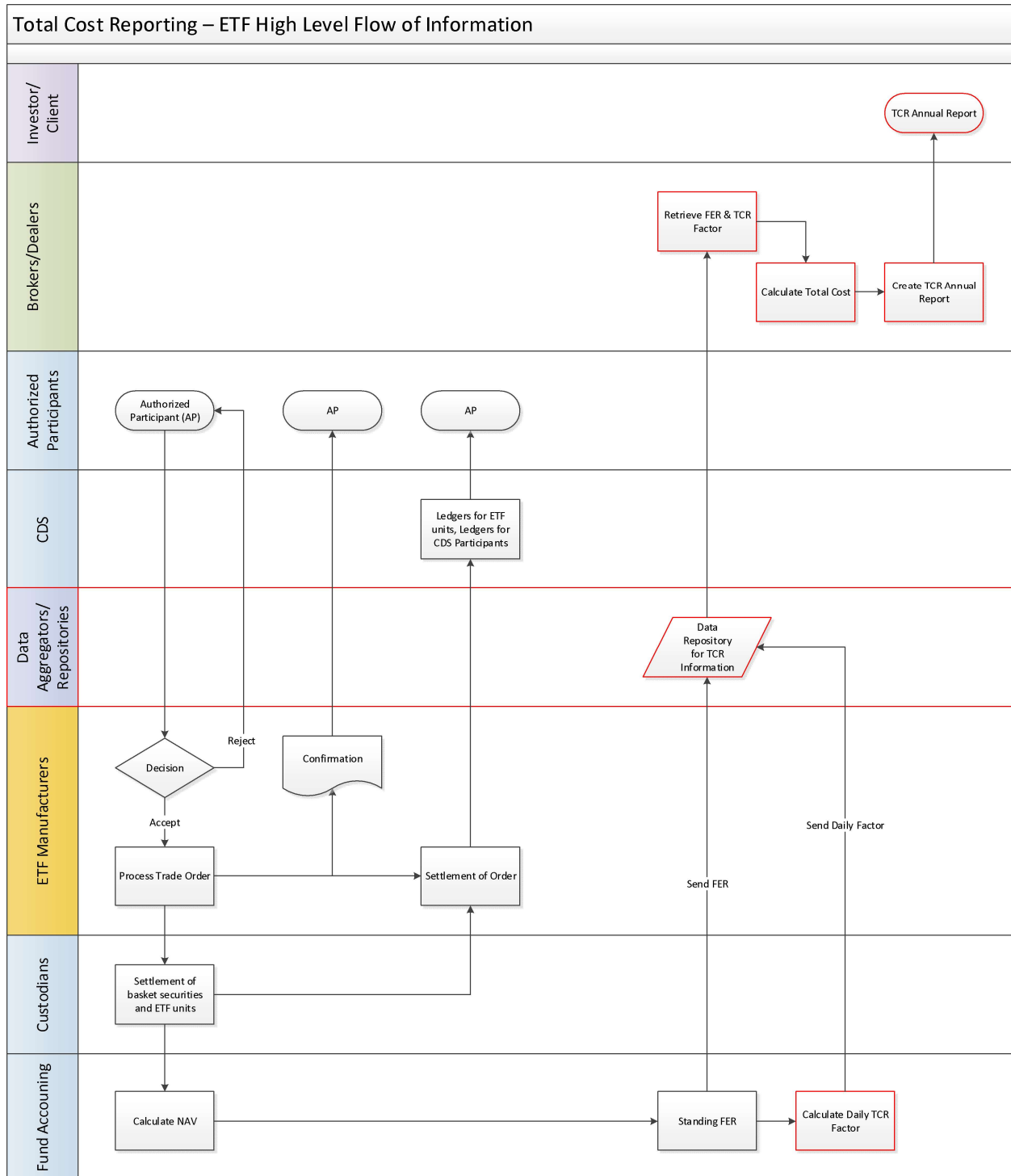
# 10 HIGH LEVEL FLOW OF INFORMATION EXAMPLES

## 10.1 MUTUAL FUNDS FLOW OF INFORMATION EXAMPLE

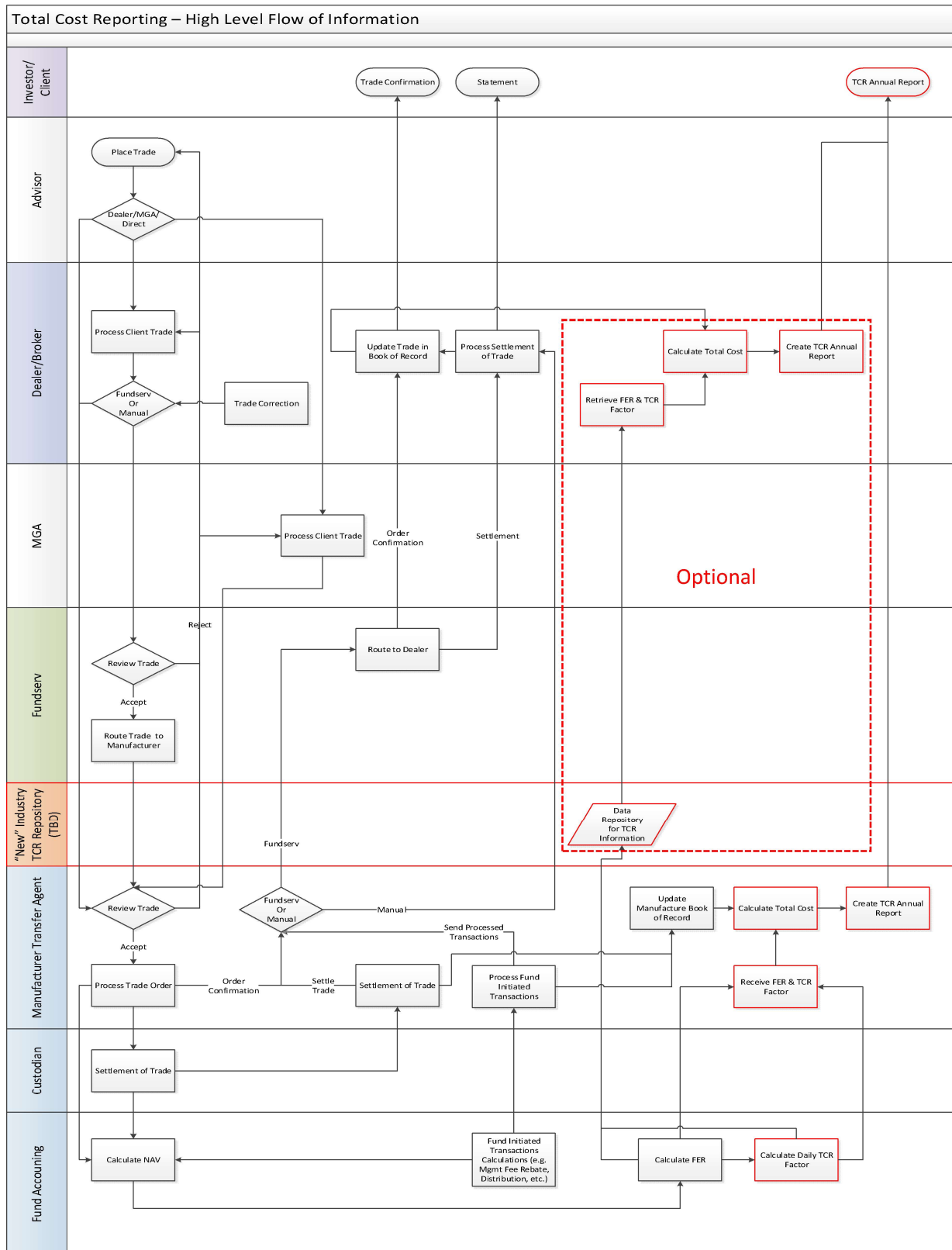




## 10.2 EXCHANGE TRADED FUNDS (ETF) FLOW OF INFORMATION EXAMPLE



### 10.3 HIGH LEVEL FLOW OF INFORMATION FOR SEGREGATED FUNDS EXAMPLE



# 11 DEALERS AND PM FIRMS REPORTING

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TCR requires Dealers and PM firms to make changes to the existing annual report on charges and compensation (**ARCC**) to include the aggregate dollar amount of fund expenses incurred by the client for the reporting period and add the fund expense ratios for each fund held by the client during the year.

The ARCC requires the following additions/updates:

## 1. Fund Expenses

- A new section to display the **total dollar amount of fund expenses**. This will be the **aggregate dollar** amount of fund expenses, which include management fees, fund trading costs and fund operating expenses across all investment funds in scope for TCR, held by the client, during the reporting period.

## 2. Fund Expense Ratios

- A new section to display the **Fund Expense Ratios**. This will be the fund expense ratio of each class or series of each investment fund owned by the client during the reporting period.
- In the sample ARCC from the regulator, a Weighted Average FER was included. This is not part of the requirements within the regulation but illustrates the option to provide more information.

## 3. Expanded Notifications

- New notifications are required for each new section of the Fees and Charges Report (#1 and #2 above).
- Updated notifications are required for different scenarios dependent on the investment funds a client holds.

## 11.1 DEALERS AND PM FIRMS REQUIREMENTS

### 11.1.1 Annual Report on Charges and other Compensation (ARCC)

In the ARCC for the account as a whole, for all investment fund securities owned by a client during the year, excluding labour-sponsored investment funds (LSIFs) and prospectus-exempt funds, include information relating to:

- The aggregate amount of fund expenses, in dollars, for all investment funds;
- The fund expense ratio (FER), as a percentage, for each investment fund class or series;
- Provisions relating to the calculation and reporting of this information.
- See Appendix A of this document for a sample ARCC provided by the regulators.

### 11.1.2 Fund Expense Calculations

For each day in the 12-month reporting period, Dealers and PM firms are required to:

- Multiply the amount of fund expenses per security for that day by the number of securities owned by the client on that day, for each class or series of investment fund securities owned by a client;
- Add together the resulting amounts for each class or series of investment fund securities owned by a client; and
- Sum the aggregate amount of fund expenses for the year.
- Formula to calculate the daily fund expenses per securities:
  - $A * B = C$
  - Where A = the fund expenses per security for the day of the applicable class or series of securities of an investment fund calculated in dollars (i.e. daily cost factor provided daily by IFM);
  - Where B = the number of units or shares of the security owned by the client for that day;
  - Where C = the daily fund expenses in dollars for a class or series of securities of an investment fund.

### 11.1.3 Reasonable Efforts and Approximations

If no information is provided by the IFM for a specific security or the Dealers and PM firms reasonably believe that any part of the information provided is incomplete or that relying on it would cause information required to be delivered to a client to be misleading, then Dealers and PM firms must make reasonable efforts to obtain the information or determine a reasonable approximation of that information, by other means.

If Dealers and PM firms reasonably believes it cannot obtain information that is not misleading, then the Dealers and PM firms must exclude the information and disclose the exclusion on the statement.

Please refer to section 3, Use of reasonable estimates and approximations, of the Implementation Framework for detailed information on reasonable efforts and approximations.

### 11.1.4 Exclusions

The TCR information required for investment funds is not required for:

- A newly established investment fund: a fund that has not yet filed a management report of fund performance, or a fund established less than 12 months before the end of the period covered by the ARCC. Refer to section 5.3 and 6.3 of the Implementation Framework for detailed information on newly establish fund;
- Existing exemptions for non-individual permitted clients (e.g., institutional investors) continue to apply.

#### 11.1.5 Expanded Notifications in ARCC

- **In relation to the total amount of fund expenses**, 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.”
  
- **In relation to the fund expense ratios**, 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.”
  
- **Referral to documents and additional resources**, the following notification or a notification that is substantially similar:
  - “What can you do with this information? Take action by contacting your advisor to discuss the fees you pay, the impact those fees have on the long-term performance of your portfolio and the value you receive in return. If you are a self-directed investor, consider how fees impact the long-term performance of your portfolio, and possible ways to reduce those costs.”
  
- If the client owned investment fund securities during the period covered by the report and **any deferred sales charges were paid by the client**, the following notification or a notification that is substantially similar:
  - “You paid this cost because you redeemed your units or shares of a fund purchased under a deferred sales charge (DSC) option before the end of the redemption fee schedule and a redemption fee was payable to the investment fund company. Information about these and other fees can be found in the prospectus or fund facts document for each investment fund made available at the time of purchase. The redemption fee was deducted from the redemption amount you received.”

- If the client owned investment fund securities during the period covered by the report and **direct investment fund charges**, other than deferred sales charges, were charged to the client, a short explanation of the type of fees that were charged;
- If **any information reported is based on an approximation or any other assumption**, a notification that this is the case;
- If any **structured product, labour-sponsored investment fund or prospectus-exempt investment fund** was owned by the client during the period covered by the report, the following notification or a notification that is substantially similar:
  - “Please note that other products you may own or may have owned during the reporting period, such as exempt market investment funds, labour-sponsored investment funds or structured products, may have embedded fees that are not reported here. You can contact us for more information.”
- If the securities of an investment fund were owned by the client during the period covered by the report, the manager of the investment fund is incorporated, continued or organized under the laws of a **foreign jurisdiction**, and the information reported for those securities 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.”
- If the registered firm knows or has reason to believe that the **client paid, to third parties, custodial fees, intermediary fees or interest charges** related to securities owned by the client during the period covered by the report and those fees or charges are not required to be reported to the client by a registrant under this section, the following notification or a notification that is substantially similar:
  - “The costs in this report may not include any fees you pay directly to third parties, including custodial fees, intermediary fees or interest charges that may be deducted from your account. You can contact those service providers for more information.”
- When a fund falls within the definition of a “**newly established investment fund**” and an IFM does not provide a Daily Cost Factor data, Dealers and PM firms needs to provide the following notification, or a notification substantially similar:
  - “The total amount of fund expenses reported may not include cost information for newly established investment funds.”

## 11.2 IMPLEMENTATION OF DEALERS AND PM FIRMS REPORTING REQUIREMENTS

Dealers and PM firms need processes and infrastructure to address the following:

### 11.2.1 Data collection

- The Dealers and PM firms will need to determine where to source the required TCR information for each investment fund. See section 9 of this document for details on finding TCR Data Repositories/Data Providers that can provide the require TCR information.
- Dealers and PM firms will need to collect the required data from the IFMs for the investment funds that the Dealers and PM firms have on their product shelf. Required data are:
  - i. Daily Cost Factor per security of the applicable class or series of securities of the investment fund, expressed in dollars;
  - ii. Fund expense ratio, expressed as a percentage.
- Frequency of data collection
  - IFMs are required to provide a Daily Cost Factor to represent the total fund expenses per security for the day. See section 5 in this document for more information on the Daily Cost Factor.
  - Depending on the frequency of the data being provided by the IFMs, Dealers and PM firms will need to collect the required data.
  - Depending on the data source, Dealers and PM firms will either need to retrieve the data or the data can be provided to the Dealers and PM firms via a central utility.

### 11.2.2 Calculation engine and storage

- Once the required data is collected from the IFMs, the Dealers and PM firms may need to store the data for calculation purposes.
- For the total fund expenses calculation:
  - i. For each client's account and for each investment fund held within that account, the Dealers and PM firms will need to multiply the daily Cost Factor for that specific investment fund (data received from IFMs) by the number of units the client holds for that specific investment fund for that date (data from the Dealers and PM firms Book of Record).
  - ii. For each client's account, the Dealers and PM firms will need to sum the total fund expenses across all the investment funds held within that client's account for that date.
  - iii. For each client's account, at the end of the reporting period, the Dealers and PM firms will need to sum the Daily Cost Factor across the reporting period and calculate the aggregate amount of fund expenses for the client's account and store the results of this calculation.
- For the fund expense ratio (FER) in percentage:

- i. The Dealers and PM firms will use the last FER provided by the IFMs up to the last day of the reporting period. The reporting of FER in percentage is required for all funds held by the client at any point throughout the year. See section 6 in this document for more information on FER.

#### 11.2.3 Composition and distribution of Annual Report on Charges and other Compensation (ARCC)

- At the end of the reporting period, the Dealers and PM firms will need to generate the ARCC with the new TCR requirements for:
  - i. Total fund expenses (expressed in dollars), as calculated by the Dealers and PM firms;
  - ii. Fund expense ratios (expressed as a percentage), as provided by the IFMs;
  - iii. Direct investment fund charges;
  - iv. New/updated notifications as prescribed and/or required by section 14.17 of NI 31-103 per the TCR requirements (see section 11.1.5 of this document).
- The Dealers and PM firms will need to generate the ARCC in a timely fashion after the end of the reporting period and deliver it to the client not more than 10 days after the delivery of the year-end account statement for the same period.

#### 11.2.4 Ability to accept corrections

The Dealers and PM firms will require the ability to accept and recalculate data to reflect error corrections that IFMs may make to the data previously received from IFMs. Refer to section 8 of this document for information on adjustments/corrections.

#### 11.2.5 Reasonable efforts and approximations

If no information is provided by the IFM for a specific security or the Dealers and PM firms reasonably believes that any part of the information provided is incomplete or that relying on it would cause information required to be delivered to a client to be misleading, that Dealers and PM firms must make reasonable efforts to obtain the information or determine a reasonable approximation of that information, by other means.

Please refer to section 3, Use of reasonable estimates and approximations, of the Implementation Framework for detailed information on reasonable efforts and approximations.



## 12 PRODUCT SPECIFIC CONSIDERATIONS

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Some products either under the securities sector or the insurance sector require specific consideration.

This section of this document will highlight some, but not all, of those considerations. IFMs, Dealers and PM firms are encouraged to review their products to adequately identify compliance with requirements under TCR.

### 12.1 FOREIGN FUNDS

In the case of foreign funds, it is generally acceptable for Dealers and PM firms to report a reasonable approximation based on similar information which is required to be reported in the foreign fund's jurisdiction, if more accurate information cannot be obtained by other means using reasonable efforts.

For example:

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

### 12.2 INVESTMENTS FUNDS SECURITIES CAPPED, TERMINATED, MERGED OR CONVERTED IN A REPORTING YEAR

An IFM may voluntarily decide to change one or more of their investment funds in a reporting year, which may impact the year-end reporting to clients.

Here are some examples of events that will have an impact on clients' reporting:

- i. Terminated fund where unitholders are provided with a notice of liquidation.
- ii. Merged fund; defined as one or more funds merging with another fund under IFM's lineup.
- iii. Converted fund; defined as a fund under an IFM being converted to another IFM.

In all the cases above, the investment funds will cease to be reported by the IFM within a reporting year. Dealers and PM firms will no longer receive additional TCR data for client reporting once the investment fund has been terminated, merged or converted.

It is important to note that capped fund for new investor and/or new purchase where the fund remains active are not impacted for reporting as the fund remains active.

Implementation Framework suggested approach: Provide the client with the TCR data obtained up until the fund was terminated, merged or converted with a note/disclosure to be provided to clients to inform them the fund was terminated, merged or converted.

## 12.3 SEGREGATED FUNDS

### 12.3.1 Harmonized Approach to Implementation

An important distinction is that on the segregated fund side the insurer is responsible for the TCR reporting rather than the dealer. This results in a somewhat different approach for flow of information.

### 12.3.2 Segregated Funds Sold by Dealers

Currently, segregated fund carriers provide account level trailer fee information to dealers, similar to the information provided for investment funds. This information is provided via trailer fee files.

Where a segregated fund product is sold by CIRO dealers, the investor receives:

- a CRM2 statement from the dealer; and
- a separate segregated fund year-end statement from the insurer.

Sections 5 to 11 of this Implementation Framework document are applicable for segregated fund reporting with appropriate modification.

Process:

- The daily cost factor is provided by the fund accounting system to transfer agents and data repositories
- Dealer retrieves daily cost factor
- Dealer tracks unit holder costs daily
- Dealer does year-end TCR reporting summing all costs

### 12.3.3 Segregated Funds Sold by Insurers, MGAs, Direct Advisors or Dealers

Insurers provide reporting where segregated funds are sold by the insurer, MGAs or direct advisors.

For segregated funds sold by CIRO dealers, the insurer provides segregated year-end statement from the insurer. The client receives a statement from the dealer and a statement from the insurer.

While each insurer may have specific processes, generally the daily cost factor, FER% and NAV information flows from the fund accounting system to the transfer agent policy holder reporting system. The transfer agent is responsible for calculating the total cost. The transfer agent may also obtain daily cost information from data repositories.

### 12.3.4 Exemptions for Legacy

Insurers may request exemptions from specific expectations in Schedule A (*see Appendix B section 15.1 of this document*) from CCIR by submitting a request in accordance with Schedule B entitled “*Modified Compliance and Exemptions*” (*see Appendix B section 15.2 of this document*). The onus is on an insurer to identify how much information it can provide to owners of specific IVICs before the cost to those owners exceeds the benefit to those owners.



## 13 FUNDS UNDER RECEIVERSHIP AND/OR BANKRUPTCY

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An IFM may fall under receivership and/or go through bankruptcy (i.e. become defunct). Receivership and bankruptcy are not mutually exclusive; they can occur at the same time, or a receivership can occur without a fund being bankrupt. Typically, the process begins with the appointment of a Receiver either by the secured creditor under a security agreement (“Privately Appointed Receivership”) or by the Court on behalf of a secured creditor (“Court Appointed Receivership”).

When this occurs, the normal flow of the fund may be impacted which in turn may impact the flow of Total Cost Reporting (TCR) data. This section of this document explores some potential impacts that could occur when a fund is placed under receivership or becomes bankrupt.

### 13.1 FUND PLACED UNDER RECEIVERSHIP, BUT ACTIVE TRADING IS MAINTAINED

When a fund is in receivership, but there is no impact to its normal processing (i.e. trading is maintained) there should be no disruption of the TCR data requirements. As the NAV and all other processes around the fund continue, the receivership will ensure the flow of regulatory data is unimpeded.

Dealers and PM firms’ expectations remain status quo and the fund will be reported as part of the TCR annual reporting.

### 13.2 FUND PLACED UNDER RECEIVERSHIP, BUT A CEASE TRADE ORDER IS IN PLACE

When a fund is in receivership, but a cease trade order is in place there should be no disruption of the TCR data requirements. As long as the NAV continues to be calculated, the receivership will ensure the flow of regulatory data is unimpeded.

Dealers and PM firms’ expectations remain status quo and the fund will be reported as part of the TCR annual reporting.

### 13.3 FUND IS GOING THROUGH BANKRUPTCY PROCESS

When a fund is going through bankruptcy (i.e. defunct), usually there is no NAV being calculated and no trading can be done. When that occurs, it will also mean that no TCR data will be provided going forward.

Implementation Framework suggested approach: Provide the client with the TCR data obtained up until the fund fell into bankruptcy with note/disclosure to clients to inform them that the TCR data is only partial due to the fund being defunct for the reporting year where the fund became defunct and until final distribution is provided, there would be no reporting of the defunct fund on the TCR annual reporting.

# 14 APPENDIX A

## 14.1 INVESTMENTS FUNDS CSA SAMPLE TOTAL COST REPORTING

**SAMPLE ANNUAL COST AND COMPENSATION REPORT**

**Dealer ABC Inc.**

Your Account Number: 123-4567

**Your Cost of Investing and Our Compensation**

This report shows for 2023

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

**Your Cost of Investing**

Costs reduce your profits and increase your losses

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

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

## Our Compensation

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

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

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

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

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

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

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

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

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

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

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**Fund Expense Ratio for Investment Funds You Owned During the Year<sup>1</sup>****On December 31, 2023****Portfolio Assets**

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

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

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

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

2. Please refer to the prospectus or fund facts document of each investment fund for more detailed information about fund expenses and fund performance. Please refer to your latest account statement for more information about the market value and the number of securities of the investment funds you currently own.
3. The fund expense ratio of this fund is not available, as it is a newly-established investment fund.
4. This is the fund's expense ratio, calculated according to applicable U.S. securities regulations. Please note that this information may not be directly comparable to equivalent information for Canadian investment funds, which may include different types of fees.

## 15 APPENDIX B

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### 15.1 INSURANCE SECTOR SCHEDULE A – MINIMUM CONTENT OF ANNUAL STATEMENT

#### 1) General

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

#### 2) Performance – Contract

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



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

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

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

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

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

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

- a) For each Segregated Fund held within the IVIC during the year described by the statement:
- i. The Segregated Fund name,
  - ii. Market Value of the Segregated Fund at start of year,
  - iii. Since the start of the year:
    - (1) Total deposits into the Segregated Fund,
    - (2) Total withdrawals from the Segregated Fund, and
    - (3) The change in value of investments in the Segregated Fund for reasons other than deposits or withdrawals,
  - iv. As of the Statement Date:
    - (1) Number of Segregated Fund units held,
    - (2) Market value per Segregated Fund unit, and
    - (3) Total Market Value of Segregated Fund units held,
  - v. The Fund Expense Ratio for the fund,
  - vi. The fact that a deferred sales charge applies, if applicable, and
  - vii. The fact that no Fund Expense Ratio is provided for a Segregated Fund because the fund was established less than 12 months before the Statement Date, if applicable.
- b) A plain language explanation of:
- i. What the Fund Expense Ratio is, and
  - ii. The fact that the dollar amount of the Fund Expenses allocated to the IVIC are included in the details of the charges for the IVIC for the year.

#### **5) Guarantees**

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

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

### **Accumulation Phase**

- a) If the IVIC provides a guaranteed withdrawal benefit and all or part of the contract is in the Accumulation Phase, the following information with respect to the assets in the Accumulation Phase:
  - i. The annual guaranteed withdrawal amount for every withdrawal option available to the Owner under that contract at:
    - (1) The earliest age at which the Owner can begin receiving guaranteed withdrawals,
    - (2) Age 65, if applicable, and
    - (3) Age 70, if applicable,
  - ii. A notice in plain language that the guaranteed amounts have been calculated assuming,
    - (1) The Owner will make no further deposits to the IVIC,
    - (2) The Owner will make no withdrawal from the IVIC, aside from the guaranteed withdrawals,
    - (3) The value of the units in the IVIC will not change between the date of calculation and the dates for which guaranteed withdrawal amounts are shown,
    - (4) That no bonuses will be credited to the IVIC, if applicable, between the date of calculation and the dates for which guaranteed withdrawal amounts are shown, and
    - (5) That the Owner will not reset any guarantees under the IVIC, if applicable, between the date of calculation and the dates for which guaranteed withdrawal amounts are shown,
  - iii. A notice in plain language explaining how guarantees are affected by withdrawals, and
  - iv. If applicable, a notice in plain language to remind the Owner of their ability to make discretionary resets of the guarantees under the contract.

### **Withdrawal Phase**

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

**Benefits Phase**

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

## 15.2 INSURANCE SECTOR SCHEDULE B – MODIFIED COMPLIANCE AND EXEMPTIONS

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

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






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

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

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

# 16 APPENDIX C

## 16.1 INSURANCE SAMPLE ANNUAL STATEMENT

ANNEX I - INSURANCE SAMPLE ANNUAL STATEMENT																															
ACCUMULATION PROTOTYPE																															
		<b>Your annual statement as at December 31, 2020</b>																													
<b>ABC Insurer Inc.</b>		1234 West Street, Toronto, Ontario	1 800 567 8901 <a href="http://abcinsurerinc.ca">abcinsurerinc.ca</a>																												
<p>This statement provides you with information on how your contract has performed this year, including the rate of return and value of guarantees. It provides you with all charges and fees associated with your contract. It will help you track your financial goals. We recommend that you read it carefully. The Fund Facts documents and annual audited financial statements for segregated funds are available upon request. Please contact your representative or us if you require additional information.</p>																															
<b>Information on your contract</b>																															
Contract name:	ABC RetirementPlus																														
Contract tax status:	Registered																														
Contract no.:	78902314																														
Issue date:	March 20, 2014																														
Owner:	John Smith																														
Annuitant:	John Smith																														
Designated beneficiary:	Jane Smith																														
Your representative:	George Advisor																														
Your representative's telephone no.:	1 416 444 5353																														
Your representative's e-mail address:	<a href="mailto:gadvisor@advisor.ca">gadvisor@advisor.ca</a>																														
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center; padding: 5px;">As at December 31, 2020</th> </tr> <tr> <th style="padding: 5px;">Segregated funds</th> <th style="padding: 5px;">Number of units</th> <th style="padding: 5px;">Market value per unit (\$)</th> <th style="padding: 5px;">Market value (\$)</th> </tr> </thead> <tbody> <tr> <td colspan="4" style="text-align: center; padding: 5px;"><b>ABC Management Monthly Income Fund, Standard Series, DSC</b></td> </tr> <tr> <td style="padding: 5px;">Guarantee 75/100</td> <td style="padding: 5px;">250.00</td> <td style="padding: 5px;">\$78.00</td> <td style="padding: 5px;">\$19,500.00</td> </tr> <tr> <td colspan="4" style="text-align: center; padding: 5px;"><b>ABC Management Canadian Equity Fund, Standard Series, FEL</b></td> </tr> <tr> <td style="padding: 5px;">Guarantee 75/100</td> <td style="padding: 5px;">450.00</td> <td style="padding: 5px;">\$50.00</td> <td style="padding: 5px;">\$22,500.00</td> </tr> <tr> <td colspan="3" style="padding: 5px;"><b>Total<sup>1</sup></b></td> <td style="padding: 5px;"><b>\$42,000.00</b></td> </tr> </tbody> </table>				As at December 31, 2020				Segregated funds	Number of units	Market value per unit (\$)	Market value (\$)	<b>ABC Management Monthly Income Fund, Standard Series, DSC</b>				Guarantee 75/100	250.00	\$78.00	\$19,500.00	<b>ABC Management Canadian Equity Fund, Standard Series, FEL</b>				Guarantee 75/100	450.00	\$50.00	\$22,500.00	<b>Total<sup>1</sup></b>			<b>\$42,000.00</b>
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2019 - 2020		2.50%																													
2017 - 2020		3.50%																													
2015 - 2020		4.10%																													
2014 - 2020		5.50%																													
<p><sup>1</sup> This is not necessarily the amount you would receive if you made a withdrawal. As an example, deferred sales charges or withdrawal fees may change the withdrawal value. You can contact us to learn the actual amount you can receive.</p>																															

Your Contract Number: 78902314

**Holdings in your Contract**

**On December 31, 2020**

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

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

**Contract values since December 31, 2019**

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

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

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

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



Your Contract Number: 78902314

**Details of charges for the year 2020**

**Important: Review Your Costs**

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

Your cost of investing is impacted by your choices.

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

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

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

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

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

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

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

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



Your Contract Number: 78902314

### Your contract's guarantees

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

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

The chart below shows the actual value of those guarantees.

Guarantee 75/100 <sup>8</sup>	
Market value of your segregated funds:	\$42,000.00
Maturity date of the guarantee:	January 12, 2084
Value of 75% guarantee at maturity:	\$27,428.42
Value of 100% guarantee on death:	\$36,571.22
Date of the next automatic reset of your guarantees <sup>9</sup>	March 30, 2024

Accumulation phase	
Guaranteed lifetime annual withdrawal amount, if taken: <sup>10</sup>	
At age 55	\$575.50
At age 65	\$893.65
At age 70	\$1,353.20

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

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

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

## DEFINITIONS

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

## WITHDRAWAL PROTOTYPE



Your annual statement  
As at December 31, 2020

ABC Insurer Inc.

1234 West Street,  
Toronto, Ontario

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

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

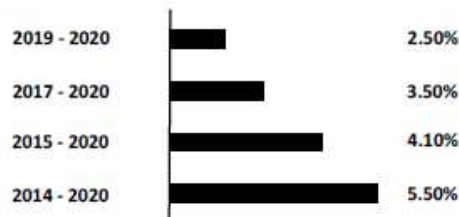
### Information on your contract

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

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

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

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



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



Your Contract Number: 78902314

**Holdings in your Contract  
On December 31, 2020**

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

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

**Contract values since December 31, 2019**

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

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

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

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

Your Contract Number: 78902314

### Details of charges for the year 2020

#### Important: Review Your Costs

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

Your cost of investing is impacted by your choices.

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

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

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

#### What can I do with this information?

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

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

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

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

Your Contract Number: 78902314

### Your contract's guarantees

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

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

The chart below shows the actual value of those guarantees.

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

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

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

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



## DEFINITIONS

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



Your annual statement  
As at December 31, 2020

ABC Insurer Inc.

1234 West Street,  
Toronto, Ontario

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

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

### Information on your contract

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

### Your contract's guarantees

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

#### Benefit Payments Phase

Guaranteed annual withdrawal amount: \$7,000

Income payable until: Until the Annuitant's death