

# New Regulatory Changes Provide Enhanced Transparency

**T**here is a positive trend building within the financial services industry to increase the level of transparency with clients. At BMO Nesbitt Burns we fully support regulatory changes that lead to improved transparency for our clients so that you can feel confident when dealing with your Investment Advisor. This article explains new regulatory changes that are being implemented in 2014 (and beyond) and how they may impact your relationship with BMO Nesbitt Burns and your Investment Advisor.

## Client Relationship Model

The Investment Industry Regulatory Organization of Canada (IIROC) is the national regulatory organization that oversees all securities dealers. Upcoming changes under IIROC's Client Relationship Model (CRM) are designed to increase transparency with respect to the fees you pay for your securities transactions – including fees charged at the time of purchase, sale, or on an ongoing basis.

Beginning July 15, 2014, before accepting your instructions to purchase or sell a security in a transactional account, your Investment Advisor is required to disclose all potential costs associated with the transaction (i.e., any charges you will be required to pay, either directly or indirectly). If the actual fees are not known by your Investment Advisor at the time of the transaction, a reasonable estimate of the charge(s) will be provided to you. In addition, all trade confirmations issued as of July 15th for any debt security purchases (i.e., bonds), will now include the annual yield on the security and the amount of any commission paid to BMO Nesbitt Burns.

Looking ahead to 2015 and 2016, enhanced performance reporting will be added to your BMO Nesbitt Burns account statement, allowing you to monitor and compare your portfolio's performance. You will also receive an

annual statement summarizing all fees paid by you for the preceding year.

## Account Re-documentation Initiative

Ensuring we have up-to-date and accurate information about you documented for your account(s) is an important priority for BMO Nesbitt Burns. Not only does it enable us to continue providing you with a high level of service that is responsive to your needs and preferences, but also ensures we are meeting our regulatory requirements around 'Know Your Client.'

We are moving towards a three-year cycle for updating our Client Account Agreements – the document that captures important information about you to assist your Investment Advisor in determining the suitability of investment recommendations. Consequently, your Investment Advisor will be contacting you to update your account documentation as part of this process. On an ongoing basis, it's important to keep your Investment Advisor informed of any changes (i.e., a change to your income, investment objectives, risk tolerance, time horizon, marital status, net worth, etc.) that could impact the types of investments that are appropriate for you and to ensure your financial plan continues to meet your financial needs and goals.

## Canada's Anti-Spam Legislation (CASL)

Canada's new Anti-Spam Legislation (CASL) takes effect on July 1, 2014. The legislation is intended to better protect consumers from unwanted and potentially damaging electronic messages (email). CASL introduces new requirements for businesses to follow when sending communications to clients and prospects via email.

Between May 26th and June 5th, we will be sending clients an email communication requesting their "express consent" to receive electronic messages from

BMO Financial Group (including BMO Nesbitt Burns). By selecting “I Agree” (“I Consent”) in the email, you can ensure there are no disruptions to the electronic communications you receive from us (you have the ability to withdraw your consent at any time). Choosing not to provide your express consent will not impact your relationship with your Investment Advisor and he/she may continue to communicate with you through email; however, having your express consent allows us to provide a seamless experience when dealing with other BMO entities, including BMO Nesbitt Burns Financial Services Inc. (NBFSI) and BMO Nesbitt Burns Securities Ltd (NBSL). For example, your express consent grants us permission to email you with respect to your insurance needs (through NBFSI) or your investment needs if you move to the United States (through NBSL). Please note that by providing express consent, your existing marketing preference and privacy consent provided on your Client Account Agreement(s) will not be overridden and will continue to be respected.

With the introduction of CASL you’ll have more control over the types of email communications you receive from us, and have the ability to change your preferences at any time. Starting July 1, 2014, you can visit the BMO Subscription Centre to manage all your BMO email communications.

For more information about Canada’s Anti-Spam Legislation, visit the Federal Government’s [Canada’s Anti-Spam Legislation site](http://www.fightspam.gc.ca/eic/site/030.nsf/eng/home) at [www.fightspam.gc.ca/eic/site/030.nsf/eng/home](http://www.fightspam.gc.ca/eic/site/030.nsf/eng/home).

## Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (FATCA) was passed by the U.S. government to ensure that U.S. persons (i.e., U.S. residents and U.S. citizens, including U.S. citizens who are residents or citizens of Canada) and entities are properly reporting their worldwide assets and income for U.S. taxation purposes. FATCA introduces new reporting requirements for foreign financial institutions, such as BMO Nesbitt Burns, to identify and report accounts held by U.S. persons.

In Canada, FATCA is being implemented according to the Intergovernmental Agreement (IGA) between Canada and the United States. Beginning July 1, 2014, all Canadian financial institutions must identify, document and report information on accounts held by clients who are U.S. persons or entities<sup>1</sup>.

To comply with FATCA’s due diligence requirements, your Investment Advisor may ask you for additional information or forms if a “U.S. indicator” is present on your investment account(s). Examples of U.S. indicators include U.S. citizenship, being born in the U.S., providing a U.S. address or providing only U.S. phone numbers for your investment account(s). You’ll likely encounter these requests for additional information when opening a new BMO Nesbitt Burns account or updating information on an existing BMO Nesbitt Burns account.

As part of a larger initiative for existing accounts opened prior to July 2014, IGA guidelines may require your Investment Advisor to reach out to you to confirm whether you are a U.S. person. This project will be conducted in conjunction with our account re-documentation initiative, previously discussed.

If it is determined that you are a U.S. person, BMO Nesbitt Burns will be required to submit additional reporting on your account(s) to the Canada Revenue Agency (CRA), who, in turn, will then submit this information to the U.S. Internal Revenue Service (IRS). If you choose not to provide information about your U.S. status, we will be required to report the same information to the CRA as if you were a U.S. person.

Please note: Registered accounts, including Registered Retirement Savings Plans (RRSPs), Registered Retirement Income Funds (RRIFs), Tax Free Savings Accounts (TFSA) and Registered Education Savings Plans (RESPs) are exempt from FATCA due diligence and reporting requirements.

For individuals who are U.S. persons, but may be unaware of their U.S. filing obligations since they reside in Canada, these conversations may serve to highlight the need to seek additional guidance on their U.S. filing requirements. Contact your personal tax advisor for more information about the filing requirements for U.S. persons, or entities.

Visit the [CRA website](http://www.cra-arc.gc.ca/tx/nrdsnts/nhncdrprtng/menu-eng.html) at [www.cra-arc.gc.ca/tx/nrdsnts/nhncdrprtng/menu-eng.html](http://www.cra-arc.gc.ca/tx/nrdsnts/nhncdrprtng/menu-eng.html) for additional information about FATCA.

At BMO Nesbitt Burns we are supportive of changing standards that lead to improved transparency for our clients and will continue to keep you informed about changes that impact how we conduct business with you. If you have any questions about the initiatives discussed in this article, please contact your BMO Nesbitt Burns Investment Advisor.

<sup>1</sup>FATCA requirements for entities (i.e., non-individuals) differ from the requirements for individuals and are not discussed in this article.

BMO Nesbitt Burns Inc. ("BMO NBI") provides this commentary to clients for informational purposes only. The information contained herein is based on sources that we believe to be reliable, but is not guaranteed by us, may be incomplete or may change without notice. The comments included in this document are general in nature, and professional advice regarding an individual's particular position should be obtained.

®"BMO (M-bar Roundel symbol)" and "Making Money Make Sense" are a registered trade-marks of Bank of Montreal, used under licence. ® "Nesbitt Burns" is a registered trade-mark of BMO Nesbitt Burns Inc. BMO Nesbitt Burns Inc. is a wholly-owned subsidiary of Bank of Montreal. If you are already a client of BMO Nesbitt Burns, please contact your Investment Advisor for more information.

**Member-Canadian Investor Protection Fund and IIROC**