

Providing Investors with Full Disclosure Through the Client Relationship Model

Since 2013, the Canadian financial industry has been implementing a number of best practices that will, once completed at the end of 2016, provide investors with enhanced disclosure with respect to the fees they pay, the investments they hold, and the performance of their account(s).

These enhancements are a result of a regulatory program known as the Client Relationship Model (CRM). Modelled after the Ontario Securities Commission's 2004 concept paper, Fair Dealing Model, CRM was officially put into practice as a response to the 2008 global financial crisis. The crisis highlighted the need for the industry to provide investors with additional disclosures and greater transparency with respect to their investments. As a result, when fully implemented, CRM provides the disclosure necessary to maintain and build trust among investors.

Introduced by the Canadian Securities Administrators, CRM came into effect in July 2013 with amendments scheduled to be phased-in over a three-year period. The final CRM amendments will be completed as of December 31, 2016, when all firms will be required to disclose on client statements all of the fees and commissions they pay, as well as provide performance reporting to help clients understand how their account is performing.

Summary of key CRM initiatives

Below is a summary of the amendments – past and upcoming – related to the implementation of CRM:

2014

- **Pre-trade disclosure of charges** – Prior to executing any buy/sell instructions, clients must be informed of the commission, purchase options, management fee, deferred sales charges (DSCs), trailing commission or embedded

fees, as well as any switch, change or redemption fees, if applicable.

- **Trade disclosure of debt transaction compensation** – Prior to the purchase of a debt security (i.e., bond), clients must be provided with the annual yield, as well as the advisor's compensation from the debt security transaction.
- **Trade confirmations** – Details on the total amount of any commission charges or dealer remuneration on transactions involving debt securities must be provided.
- **Performance benchmarks** – Each client must be provided with a general explanation of performance benchmarks and how they are used.

2015

- **Security cost and pricing** – Client account statements must provide disclosure detailing the market value of each security, the cost of each security, identification of which securities were purchased under a DSC fee schedule, as well as disclosure pertaining to the applicable investor protection fund.

2016

- **Trade confirmations** – Disclosure of each trade-related charge, including any deferred sales charge levied, must be detailed on all trade confirmations.
- **Money-weighted investment return** of an account, net of fees, is to be made available on client account statements.
- **Deposits and withdrawals** – Summary of all deposits and withdrawals made within an account are to be detailed on the account statement.
- **Summary of fees, charges and commissions** – A summary of all operating charges, transaction costs and other fees related to a client's account detailed on the account statement.

Full and proper disclosure

While the CRM requirements have been mandated across the industry, providing clients with full disclosure with respect to their investments is an important part of our service commitment. As a result, we are dedicated to ensuring that we deliver the remaining disclosures and provide enhanced reporting to clients with respect to their accounts by the end of 2016.

Our statements are being redesigned to improve the experience of clients; making it easier for you to review the information detailed on our reporting, as well as ensuring

we are in compliance with all outstanding CRM requirements for 2016. Clients can expect to receive this new reporting in conjunction with their December 2016 month-end statement – which you will receive in January 2017.

For further information on CRM, please view the Investment Industry Regulatory Organization of Canada's (IIROC) [News Releases, notices and related documents](#).



If you have any questions on the CRM amendments, please contact your BMO financial professional.



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ID0786 (10/16)