

Tips for CRM2 Compliance



The final phase of the Canadian Securities Administrators' Client Relationship Model Project (CRM2) comes into force on July 15, 2016 when amendments to *NI 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations* and *Companion Policy 31-103CP* take effect. Below are tips for complying with three of the key changes to client reporting under CRM2.

Transaction Charges

- ✓ Implement systems to track the actual dollar value of all charges to the client for every transaction and update trade confirmation reports to include this information.
- ✓ Under CRM2, a registered dealer must promptly deliver a written trade confirmation report for each client transaction that includes the amount of each transaction charge, deferred sales charge or other charge in respect of the transaction, and the total amount of all charges in respect of the transaction.
- ✓ Standardized trade confirmation report templates will need to be updated to ensure that all variations of transaction charges are accounted for where applicable.

Annual Report of Charges

- ✓ Implement systems to track information required for the new annual report on charges and other compensation.
- ✓ As of July 15, 2016, registered firms must deliver a report to clients for each 12-month period on the charges and other firm compensation relating to the client's account. The required information includes the firm's current operating charges, the total amount of **each type** of operating charge and transaction charge paid by the client during the period, and the total of all operating and transaction charges paid as well as the total amount of each type of payment that is made to the firm by a securities issuer or another registrant in relation to services provided to the client during the period.
- ✓ Consider implementing systems and standardized forms that track all possible charges and payments that might be required on an annual report. Consider tracking by type of charge/payment and introducing KYC categories to ensure that the charges applicable to each client's portfolio are monitored in respect of that client's account.

New Annual Investment Performance Reports

- ✓ Implement systems and standardized forms to track and report information required by new annual investment performance reports.
- ✓ Registered dealers will be required to report to clients every 12 months regarding the performance of their investments over the last 12-month period, as well as the previous three-year, five-year and 10-year periods (if applicable). Performance reports must include the market value of all cash and securities in the client's account at the beginning and end of the 12-month period and the market value of all deposits, transfers and withdrawals of cash and securities into or out of the client's account. The report must also include the annual change in the market value of the client's account for the 12-month period, as well as the cumulative change in the market value since the account was opened.

For further information, please contact a member of our [Securities Litigation](#) group.