Total Cost Reporting for Investments Funds & Segregated Funds

Voluntary Industry Implementation Framework for Operational & Technological Considerations

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1 PREAMBLE - THE NEW REGULATION FOR TOTAL COST REPORTING

*This document constitutes an implementation framework only (**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 is based on interpretations discussed with industry associations and their members 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.

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**).

The Canadian Investment Regulatory Organization (CIRO) rules will be amended to be uniform in substance with final amendments to NI 31-103 and 31-103CP.

Although the CCIR's Insurance Guidance itself is not legally binding, insurance regulators in each jurisdiction will implement this initiative in line with their respective regulatory requirements, which will, in some jurisdictions, include legally binding requirements with effective dates which match the Securities Amendments.

In this document the word dealers (**Dealers**) refer to both registered dealers and advisers as identified in the Notice by the regulators. Where:

- Dealers refer to registered firms that are investment dealers in accordance with securities legislation.
- Advisers refer to Portfolio Manager (PM) firms engaging in or holding themselves out as engaging in the business of advising others as to investing in or the buying or selling of securities.

2 Summary of the changes

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 to require 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[1]:

- 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 to 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;

[1] 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 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[2];
- 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;
- 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

Expansion of the IFM's duty to provide information under section 14.1.1 of NI 31-103 to encompass the additional information Dealers 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 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 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.

2.1.4 Use of reasonable approximations

[2] A detailed description of those approximations or assumptions is not required to be reported.

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:

- 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;
- paragraph 14.1.2(2)(b) of NI 31-103 allows IFMs to provide dealers or advisers with a reasonable approximation of the information required for Dealers 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 registered dealers or advisers 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 must used for calculating the aggregate amount of fund expenses charged by 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 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. The dealer 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

Section 14.17.1 of NI 31-103 specifies that the TCR information Dealers are required to deliver to their clients must be based on the information provided by IFMs, in the case where IFMs are required to do so.

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 registered dealer and adviser 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 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 exemptions 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.

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

Apart from the exemptions 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 Contract (**IVIC**). 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; 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.

This Insurance Guidance applies only to:

- Segregated funds (IVICs), including, for greater certainty, IVICs issued and outstanding prior to the date of this Guidance unless otherwise indicated in this 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 x B x 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 12.2 – Product Specific Considerations under section 12.2 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 are generally applicable with appropriate modification to segregated funds.

3 USE OF REASONABLE ESTIMATES AND APPROXIMATIONS

When IFMs are determining the Daily Cost Factor (i.e. fund expenses per security for the day), and IFMs use of reasonable estimates and approximations is 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 registered dealer/adviser 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 is not greater than 12 months.

Registered Dealers 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 the certain exceptional circumstances (i.e. where there is no information provided by an IFM or the registered dealer/adviser reasonably believes ay 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 registered dealer and adviser is not able to determine a reasonable approximation by other means, it may exclude the information from the calculation of fund expenses and direct investment fund changes 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 registered Dealers 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.

In summary, the following key points should be considered:

Approximations may be used as follow:

- 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, 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 would result in information reported to a client to be misleading.

Cumulative Approximations: 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 without unreasonable cost or delay.

Foreign investment funds: For reporting of the required TCR information of foreign investment funds (i.e. those in scope under the TCR requirements), it is generally acceptable for Dealers 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, 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 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 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

The regulatory amendments commonly referred 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 provide more information on the impact scope proper to 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 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 in scope solely for a notification requirement[3] include, but are not limited to, the following:

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

Products out of scope (except for notification requirement referred to above) include, but are not limited to, the following:

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

[3] See section 11.1.5 of this document for the notification requirement for these products.

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.)

4.2 INSURANCE SECTOR

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

Products in scope include, but not limited to, the following:

- Segregated Funds (i.e. Guaranteed Investment Funds)

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

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

5 FUND EXPENSE (DAILY COST FACTOR) IN DOLLAR

Dealers, advisers and insurance compagnies/segregated fund carriers 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 dealer, advisers and insurance companies/segregated fund carriers.

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

A x 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.

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 6 months). When doing so the calculation is done based on past 12 months data (or the available data for a newly established fund). As such the MER and TER values reported through 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, keeping in mind it may entail assessing its impact on the recently published disclosure documents).

Controls and monitoring / periodic assessment: To help ensure the approximation of the Daily Cost Factor transmitted to registered dealers/advisers daily will not result in misleading information being reported to the dealers'/advisers' 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/advisers up to that point in time. 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 the 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 4 scenarios:
    1. Manager using discretion to lower fees;
    2. New funds;
    3. New series;
    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 dollar, are suggested as follows:

i. The format should be a number with 10 decimal places (e.g. $0.0000000001).
ii. The 11th decimal places to be rounded half up (e.g. $0.00000000015 rounded half up to $0.0000000002).
iii. IFMs transmission frequency should be daily for each business day (transmission would not occur on weekends or holidays). For January statements, as this information is to be added to statements the transmission should be no later than 5:00 PM Eastern Time (ET) on January 2nd. Dealers 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 describe in section 9 of this document) that adhere to the above suggested approach in this Implementation Framework for dealers' and advisers' consumption.
vi. For international 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 launched 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 registered dealer or registered adviser 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: In the case of a newly established fund, IFMs are to provide the Daily Cost Factor to Dealers 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 dealer and adviser needs to provide the following notification, or a notification substantially similar, in the client report:

"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 DEALERSEXPECTATIONS

Dealers can rely on the IFMs use of approximations and the Daily Cost Factor they transmit. As such, dDealers 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 Dealer may use the Daily Cost Factor provided from the previous day continuously until the updated Daily Cost Factor file is transmitted by the IFM. Circumstances over 30 days, Dealers 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 dDealers should establish monitors and controls of IFM transmission of the Daily Cost Factor to identify IFM and fund where the Daily Cost Factor has not been transmitted for a significant period of time. As a general Implementation Framework suggested approach, a significant period of time which may impact materiality threshold may be as low as 10 days but varies with the circumstances.

6 Fund Expense Ratio (FER) as a percentage

In addition to the aggregate dollar cost for clients, Dealers must also provide the FER in percentage for each fund the client has held that year. The FER in percentage is required to be provided by IFMs to Dealers 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):

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.

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 a percentage of the average dollar amount of a fund investment. 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 a percentage of total assets. 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 is calculated by IFM on a semi-annual basis (i.e. every 6 months) based on a backward-looking value of the 12 months past. These calculations are reported through regulatory documents, such as MRFP, up to a maximum of 60 or 90 days of the financial statements date. Therefore, the use of the FER percentage for reporting on the Total Cost Reporting (TCR) would mean an

IFM is using an approximation that is months old and does not reflect any changes in the expenses ratio changes that occurred since the last time it was calculated.

IFM may elect to report the latest FER reported through the fund regulatory documents for consistency of reporting across different documents/reporting. Alternatively, IFM may decide to provide an average FER percentage derived from the calculated FER utilized for the Daily Cost Factor.

It is incumbent on IFM 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 1st to December 31st).

6.2 FER (PERCENTAGE) DATA FORMAT & TRANSMISSION

The FER will always be expressed in percentage.

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

i. The format should be a percentage with 2 decimal points (e.g. 0.01% to 99.99%).
ii. The 3rd 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 based on IFM calculating and/or changing the FER.
iv. Dealers will use the latest FER received by December 31st of the reporting period.
v. IFM needs to identify and transmit the FER to one or more TCR Data Repositories/Data Providers that adhere to the above suggested approach in this Implementation Framework for dealers' and advisers' consumption.

6.3 NEWLY ESTABLISHED FUNDS

In all cases where a fund launched 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 registered dealer or registered adviser 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: In the case of a newly established fund, IFMs are to provide the Daily Cost Factor to Dealers 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 dealer and adviser needs to provide the following notification, or a notification substantially similar, in the client report:
"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 expectations

Dealers can rely on the IFMs use of approximations and the FER in percentage provided by the IFM. As such, Dealers 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 FER is missing (i.e. IFM did not provide it), the Dealer may use the previously provided FER or the published FER in regulatory documents, such as MRFP, by the IFM. In these circumstances, Dealers will 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. In line with this, Dealers will take the latest FER received by December 31st of the reporting period.

Dealers are encouraged to establish monitorings and controls of IFM transmission of the FER to identify IFM and fund 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 9 months.

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

7 DIRECT INVESTMENT FUND CHARGES IN DOLLAR

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 where the cash balance is either increased or reduced, depending on if it is a fee or rebate. This cash balance may be paid or rebated in dollars or in units of the fund. As such Dealers are already provided with the information and must identify each element that need to be reported as part of the Total Cost Reporting of direct investment fund charge.

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 Example of direct investment fund charge

Direct investment fund charge elements in scope includes, but not limited to, the following:

a. Switch Fees
b. Redemptions Fees
c. Deferred Sales Charges Fees
d. Short-Term Trading Fees
e. Management Fee Rebate (MFR)[4]
f. Transfer Out Fees
g. Management Fees
h. Administration Fees[5]
i. Performance Fees[6]
j. Sales Taxes
k. Negotiated Service Fees[7]

7.1.2 Additional direct investment fund charge specific for the insurance sector

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

[4] Only applicable for management fee rebate charged directly at the client account level and not the fund level.
[5] Only applicable for administration fees charged directly at the client account level and not the fund level.
[6] Only applicable for performance fees charged directly at the client account level and not the fund level.
[7] Only applicable for negotiated service fees charged directly at the client account level and not the fund level.

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

8 CORRECTIONS

IFMs have an obligation to ensure that it reasonably believes the information it provides to registered Dealers will not result in misleading information being reported in the ARCC disclosed to clients of registered dealers/advisers. 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 suggested practices 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/ advisers daily will not result in misleading information being reported to the dealers'/ advisers' 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/advisers up to that point in time. During these periodic assessments, IFMs will apply the "materiality assessment" (see "materiality assessment" 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 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 will 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 a situation where a Daily Cost Factor previously transmitted to dealers/advisers 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), only then the IFM will 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/advisers 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/advisers).

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 or errors in the FER calculation inputs

Implementation Framework suggested approach: New information may get processed by the IFM, whether coming from 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 determine whether they wish 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 registered dealers/advisers****, 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 "materiality assessment" in the above section 7.2 of this document) before making a retroactive correction.

Where the materiality threshold is triggered, in addition to making adjustments on a going forward basis (see section 7.4 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 10 in this document) as soon a reasonably practicable, and will notify them that a correction(s) were 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 the dealers between January 1st and December 31st 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 provide a one or more updated past value of Daily Cost Factor and/or FER provided during 2026 before December 31st, 2026.

Dealers will take into consideration the adjusted TCR data points when provided within the reporting period. This will be based on the reliance of Dealers on IFM data and that it is deemed, by 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 after December 31st 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 provide a one or more updated past value of Daily Cost Factor and/or FER provided during the year of 2026 after December 31st, 2026.

As Dealers will already have launched their batches for year-end client reporting, it would be too late to make any adjustments at this point. Dealers will not issue corrected TCR reports and, therefore, IFM are strongly encouraged to have monitoring and quality control to find any adjustments that are above the materiality threshold before the end of the reporting period (i.e. December 31st) 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 controls, to provide any adjustments as soon as discovered within the reporting period. The more frequent monitoring and control an IFM has the better it is to catch adjustments that will trigger the materiality threshold.

In summary, Implementation Framework suggested approach for IFMs:

i. IFM 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 15th of the reporting year.
ii. Accrued vigilance by the IFM should be observed for the remaining last month (i.e. December) in order to avoid an adjustments or to provide an adjustment before December 31st.
iii. A grace period of up to the 1st business day in the new reporting year (i.e. January) may be used by IFM to report an adjustment on the last month of the reporting period (i.e. December). For January statements, the transmission should be no later than 5:00 PM Eastern Time (ET) on January 2nd. This adjustment will be accepted by Dealers as a last resort prior to launch of the batches and delivery of the TCR report to clients.

8.5.4 Retroactive adjustments for material error corrections for Dealers:

In summary, Implementation Framework suggested approach for Dealers:

i. Dealers need to accept corrections provided by IFM when the IFM abide by the Implementation Framework suggested approach in section 8.5.3 of this document.
ii. Dealers need to take into consideration transactions corrections impacting units balance held by clients within the annual reporting period as long as the error corrections are identified and processed by no later than January 2nd after the annual reporting period.

9 TCR Repositories/Data Providers

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

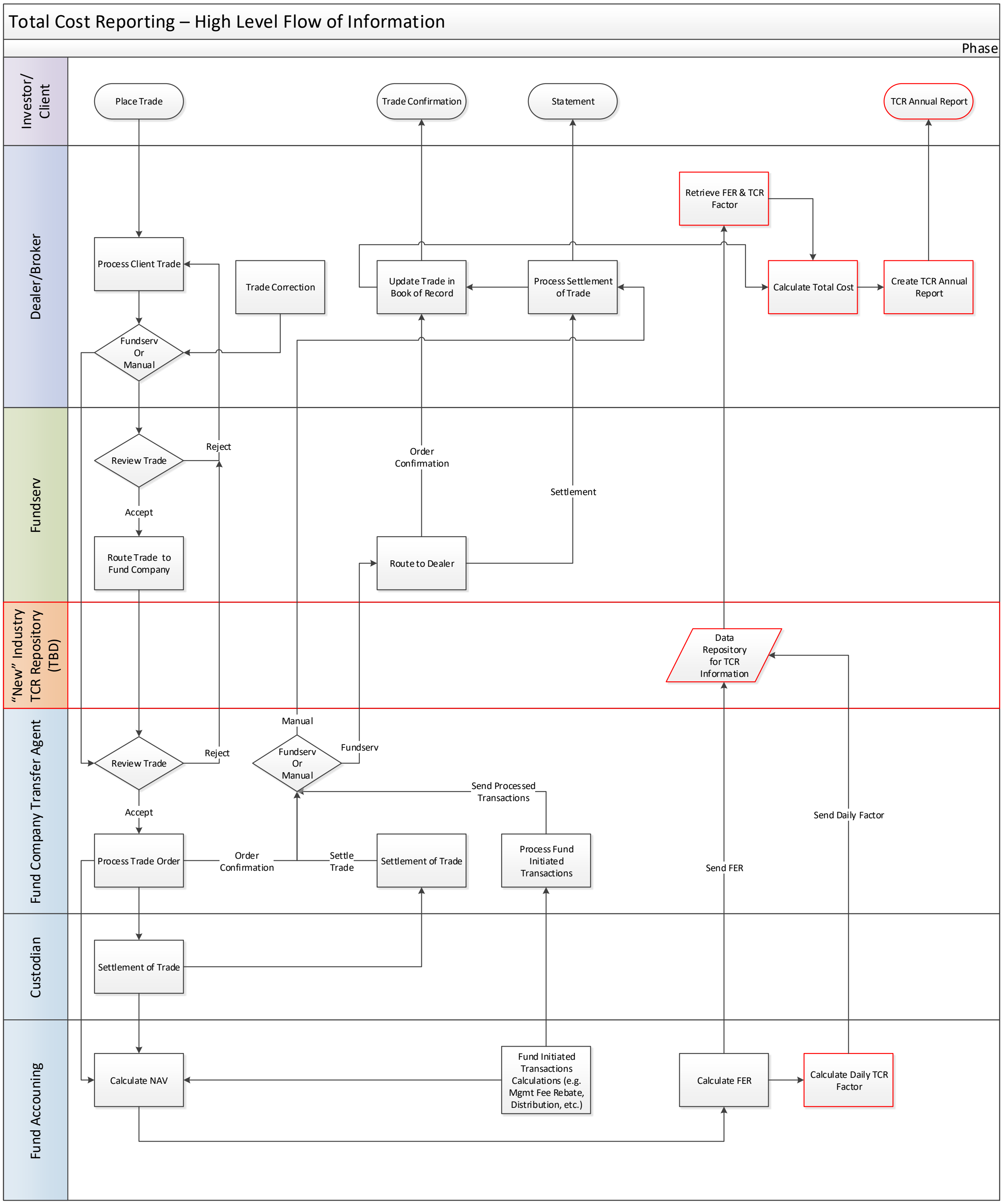
The default of manual bi-lateral exchange between an IFM and a Dealers is not sustainable and efficient. Dealers usually has multiple IFMs/product types on their shelf. Likewise, IFMs needs to support multiple Dealers operating with various platforms. Based on this TCR Repositories/Data Providers will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

It is the responsibility of IFMs, Dealers to review their options and choose according to their business decision that will enable them to meet the regulatory requirements of Total Cost Reporting.

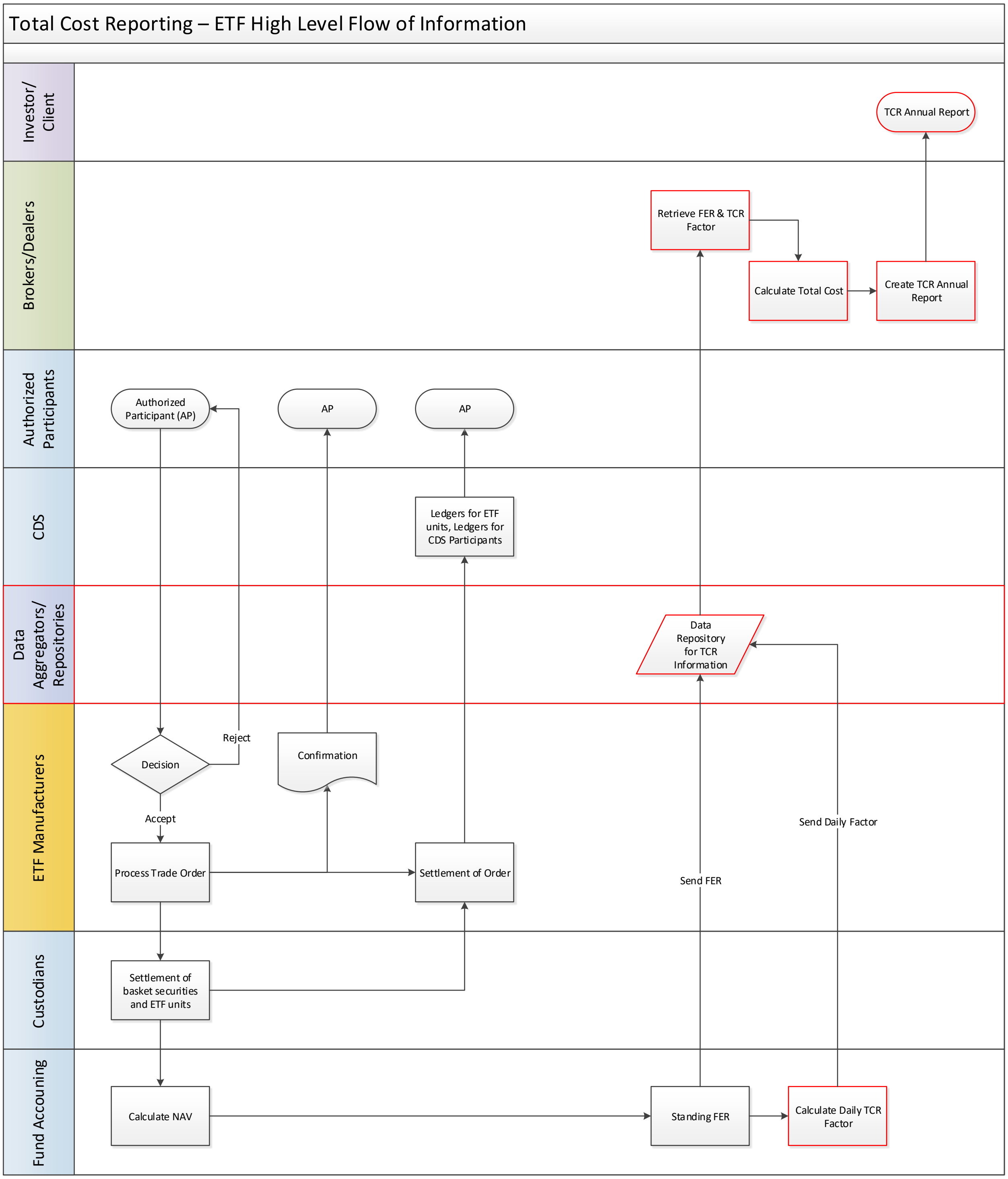
These TCR Repositories/Data Providers will play a pivotal role in the costs and timelines required for this regulatory change. IFMs, Dealers are encouraged to reach out to their service providers and TCR Repositories/Data Providers early in their solution design to meet regulatory requirements.

10 HIGH LEVEL FLOW OF INFORMATION

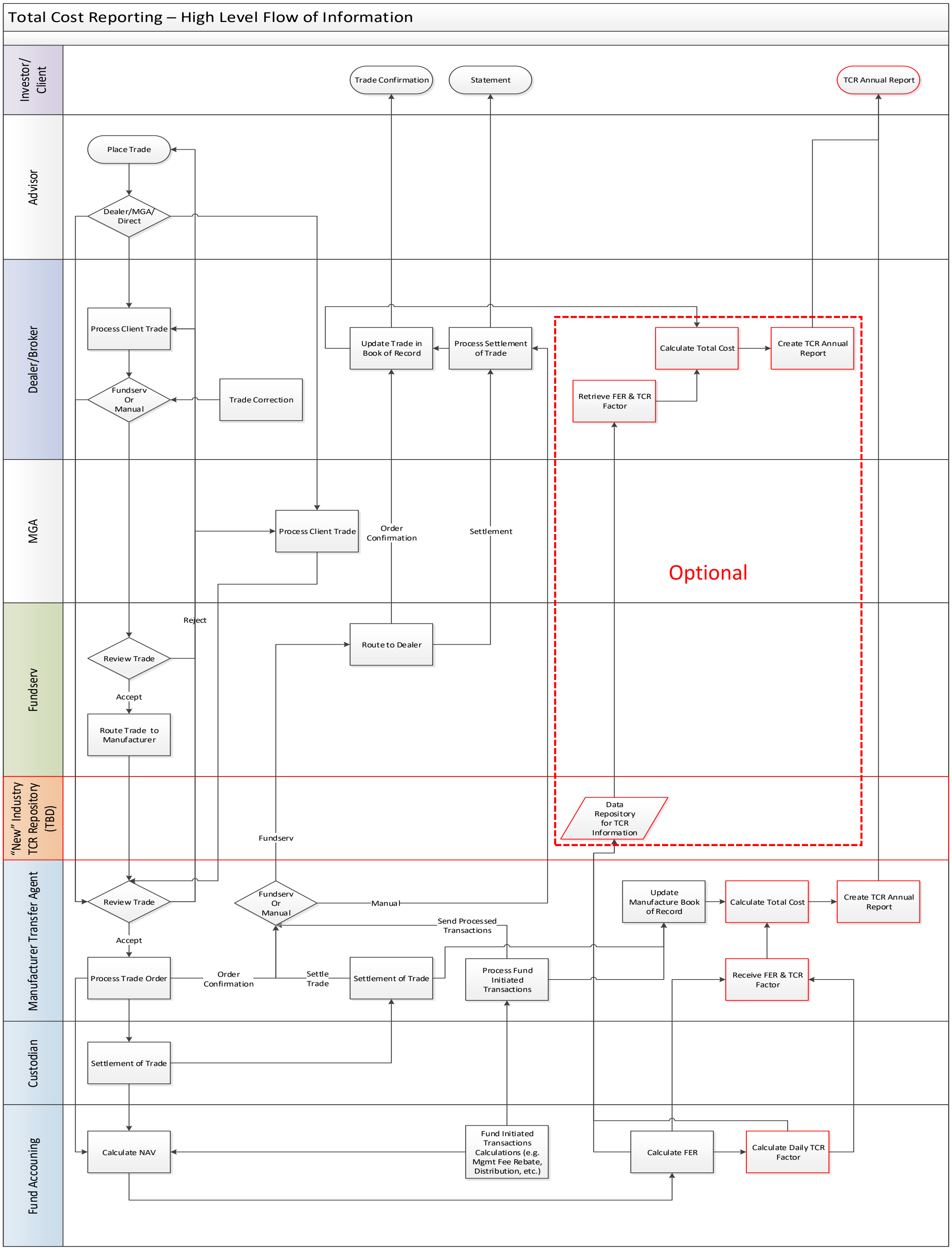
10.1 MUTUAL FUNDS FLOW OF INFORMATION



10.2 EXCHANGE TRADED FUNDS (ETF) FLOW OF INFORMATION



10.3 High Level Flow of Information for Segregated Funds



11 DEALERS REPORTING

TCR require Dealers to make updates 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 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 illustrate 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 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, registered Dealers 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;
- 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 dealer 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 dealer must make reasonable efforts to obtain the information or determine a reasonable approximation of that information, by other means.

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

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;
- 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**, 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**, 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**, 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."

11.2 Implementation of Dealers Reporting Requirements

Dealer processes and infrastructure needs the following:

11.2.1 Data collection

- The Dealers will be required 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 TCR information required for all in scope products.

- Dealers will need to collect the required data from the IFMs for the investment funds that the dealer has on their product shelf. Required data are:

   i. Daily total 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, the Dealers will need to collect the required data.
    - Depending on the data source, the dealer will either need to retrieve the data or the data can be provided to the dealer via a central utility.

11.2.2 Calculation engine and storage

- Once the required data is collected from the IFMs, the dealer and adviser 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 dealer and adviser will need to multiply the daily total 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 dealer's Book of Record).
   ii. For each client's account, the dealer and adviser 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 dealer and adviser 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 dealer and adviser 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 dealer will need to generate the ARCC with the new TCR requirements for:
   i. Total fund expenses (expressed in dollars), as calculated by the dealer;
   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 the section 14.17 of NI 31-103 per the TCR requirements (see section 11.1.5 of this document).

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

11.2.5 Reasonable efforts and approximations

If no information is provided by the IFM for a specific security or the dealer 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 dealer and adviser must make reasonable efforts to obtain the information or determine a reasonable approximation of that information, by other means.

12 PRODUCT SPECIFIC CONSIDERATION

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 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 registrants 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 CLOSED, 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. Capped fund for new investor and/or new purchase where the fund remain active.
ii. Closed fund where unitholders are provided with a notice of liquidation.
iii. Merged fund; defined as one or more funds merging with another fund under IFM lineup.
iv. 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 will no longer receive additional TCR data for client reporting once the investment fund has been closed, merged or converted.

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

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 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 the Fundserv 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 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

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.

Dealer expectation 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.

Dealer expectation 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 more 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 that for the following years 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

What you paid

Our charges: 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
Total you paid to us	**$120.00**
Investment fund company fees: 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.	
Fund Expenses[1] - See the fund expenses % shown in the table below	$645.00
Redemption fees on deferred sales charge (DSC) investments[2]	$50.00
Total you paid to investment fund companies	**$695.00**
Your total cost of investing[3]	**$815.00**

Our Compensation

What we received

Total you paid us, as indicated above	$120.00
Trailing commissions[4] paid to us by investment fund companies, included in the fund expenses above	$342.00
Total we received for advice and services we provided to you	**$462.00**

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.

Fund Expense Ratio for Investment Funds You Owned During the Year[1]

On December 31, 2023

Portfolio Assets

Description	Fund Expense Ratio[2]
Canadian Investment Funds	
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 [3]
Foreign Investment Funds	
XYZ Management S&P 500 ETF (U.S. fund)	0.03%[4]
Weighted Average	**1.64%**

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

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 administrated 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

Your annual statement as at December 31, 2020

ABC Insurer Inc.

1234 West Street, Toronto, Ontario

1 800 567 8901

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.

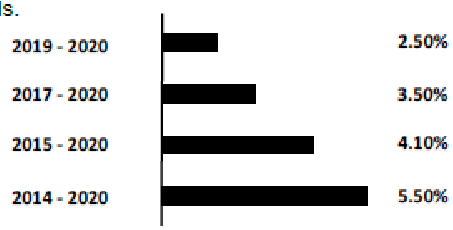
Information on your contract

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

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



[1] 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[2]	$5,500.00
Market value at end of 2020	**$42,000.00**

Contract values since December 31, 2019

Segregated funds	Market value at end of 2019	Deposits	Withdrawals	Net Growth or Loss[2]	Market value at end of 2020	Fund expense ratio[3]
ABC Management Monthly Income Fund, Standard Series 75/100, DSC[4]	$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%
Totals	$42,601.43	$0.00	$1,666.67	$1,065.24	$42,000.00	
			Total annual rate of return (net of charges)	2.5%		

[2] Total charges deducted from your return are detailed in the following section.
[3] 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.
[4] 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[5]	$50.00
Transfer fee	$20.00
Investment fund expenses (Fund expenses), including indirect insurance costs[6]	$645.00
Direct insurance cost for your guarantees[7]	$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.

[5] 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.
[6] 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.
[7] 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[8]	
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[9]	March 30, 2024

Accumulation phase		
Guaranteed lifetime annual withdrawal amount, if taken:[10]		
	At age 55	$575.50
	At age 65	$893.65
	At age 70	$1,353.20

[8] 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.

[9] 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.

[10] 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 revaluate 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.

ANNEX I - INSURANCE SAMPLE ANNUAL STATEMENT *(continued)*

WITHDRAWAL PROTOTYPE

Your annual statement
As at December 31, 2020

ABC Insurer Inc.

1234 West Street,
Toronto, Ontario

1 800 567 8901
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

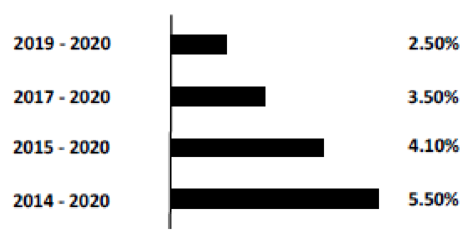
Your representative's telephone no: 1 416 444 5353

Your representative's e-mail address: gadvisor@advisor.ca

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



[1] 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[2]	$5,500.00
Market value at end of 2020	**$42,000.00**

Contract values since December 31, 2019

Segregated funds	Market value at end of 2019	Deposits	Withdrawals	Net Growth or Loss[2]	Market value at end of 2020	Fund expense ratio[3]
ABC Management Monthly Income Fund, Standard Series 75/100, DSC[4]	$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%
Totals	$42,601.43	$0.00	$1,666.67	$1,065.24	$42,000.00	
			Total annual rate of return (net of charges)	2.5%		

[2] Total charges deducted from your return are detailed in the following section.
[3] 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.
[4] 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[5]	$50.00
Transfer fee	$20.00
Investment fund expenses (Fund expenses), including indirect insurance costs[6]	$645.00
Direct insurance cost for your guarantees[7]	$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.

[5] 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.

[6] 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.

[7] 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[8]	
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:[9]	$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

[8] 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.
[9] 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 revaluate 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

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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

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