IIROC OCRCVM
Investment Industry Regulatory Organization of Canada
Organisme canadien de réglementation du commerce des valeurs mobilières

IIROC NOTICE

Rules Notice
Technical
Dealer Member Rules

Please distribute internally to:
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Legal and Compliance
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Retail
Senior Management
Training

Contact:

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14-0233
October 16, 2014
Replaced by Notice15-0042

Client Relationship Model ("CRM") - Frequently Asked Questions

Background

Over the past couple of years, IIROC has implemented a series of rule amendments designed to implement the following regulatory objectives identified under the Client Relationship Model project:

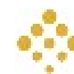
- Account relationship disclosure;
- Management and disclosure of conflicts of interest; and
- Account suitability; and
- Pre-trade compensation disclosure; and
- Enhanced trade confirmation reporting[1].

The remaining IIROC rule amendments that have been developed as part of the Client Relationship Model project (referred to as the "IIROC 2015 and 2016 CRM2 Amendments") are scheduled to be implemented on either July 15, 2015 or July 15, 2016.

Questions received on the CRM rule amendments

IIROC has received a number of questions during the development period for these proposals and subsequent to the announcement of their implementation. To assist those impacted by these new

[1] Further proposed amendments to the trade confirmation requirements are included in the proposed IIROC 2015 and 2016 CRM2 Amendments. These amendments, which are scheduled to become effective on July 15, 2016, would require trade confirmation disclosure whenever a deferred sales charge has been incurred by the client.



requirements, IIROC has compiled a list of frequently asked questions along with our responses. This list has been included as an attachment to this notice. To ensure that this list remains current, it will be updated and re-issued on a periodic basis.

Other CRM-related initiatives

As a number of CRM-related rule amendments are already in effect, IIROC has begun to perform specific field examination work designed to determine the level of compliance with the new requirements and to identify industry best practices. The examination work performed to date has focused on the new account relationship disclosure and the conflicts of interest management requirements. Although the results of this work are still being analyzed, one finding of note is that there appears to be differences (from one firm to the next) in the level of detail of the relationship disclosure information provided to clients relating to: (1) where applicable, the process used by the Dealer Member to assess investment suitability; and (2) the process used by the Dealer Member to manage conflicts of interest situations as they arise. Further discussion of this and other findings from this CRM-related compliance review work will be included in the Annual Consolidated Compliance Report that will be issued by IIROC at the end of the year.

Questions concerning this notice and the attached frequently asked questions document should be directed to:

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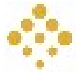
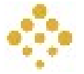
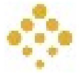


Question	*Background*	*Response*
Pre-trade disclosure of charges *[Dealer Member Rule section 29.9]*		
1. Does the requirement to provide pre-trade disclosure of charges apply to trades in segregated funds?	In 2003, the IDA (now IIROC) announced an arrangement whereby segregated fund positions sold to a client by a life insurance agent (acting for an insurance company that would generally be an affiliate of the Dealer Member) would be: • held in custody for the client by the Dealer Member; and • reported on in the positions held section of the relevant account statement sent by the Dealer Member to the client. The introduction of this arrangement was intended to ensure that clients would continue to purchase insurance products from an insurance agent acting for an insurance company and would have the option of aggregating their segregated fund holdings with other similar holdings (such as mutual funds) at the Dealer Member.	Since the client must purchase segregated fund positions from an insurance agent acting for an insurance company, all trades in segregated funds must take place outside of the Dealer Member and, as a result, the requirement to provide pre-trade disclosure of charges does not apply to trades in segregated funds.
2. Does the requirement to provide pre-trade disclosure of charges apply to trades in investment products other than securities, futures contract options, futures contracts or exchange contracts?	Dealer Member Rule subsection 200.1(l) requires that trade confirmations be issued for trades in securities, futures contract options, futures contracts and exchange contracts. Dealer Member Rule subsection 200.1(d) requires that account statements issued include all positions held in securities, futures contract options, futures contracts and exchange contracts. Neither Dealer Member Rule subsection 200.1(l) nor 200.1(d) prohibits a Dealer Member from issuing trade confirmations or including in account statements trades/positions in "other investment products"[1]. It is a long-standing street practice to provide the same level of client reporting for trades involving and positions in other investment products as for trades involving securities,	IIROC's Dealer Member Rules only require that dealers provide their clients with pre-trade disclosure of charges relating to trades in securities. However, IIROC staff believe it would be impractical for a Dealer Member to adopt a different scope for pre-trade charge disclosure from the scopes they already use to determine: • the trades for which a trade confirmation is issued; and • the positions which are included in any account statement (or off-book position report) that is issued. Specifically, narrowing the scope of trades subject to pre-trade disclosure to the legislative minimum will likely result in client service issues as clients will not understand why there is pre-trade disclosure of charges for some trades and not for others and would introduce unnecessary

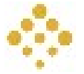
[1] Where "other investment products" are products other than securities, futures contract options, futures contracts and exchange contracts.



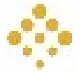
Question	***Background***	***Response***
Pre-trade disclosure **of charges** *[Dealer Member Rule section 29.9]*		
	futures contract options, futures contracts and exchange contracts.	complexity to the processes used by Dealer Members to meet their trading-related charge disclosure obligations. In summary, IIROC expects that scope of trades subject to pre-trade charge disclosure would be consistent with all other forms of client reporting (i.e. trade confirmations, account statements and various client reports (off-book positions, fee/charge, and performance)).
3. Many accounts charge a standard amount or standard percentage for all or most account trades. Is pre-trade disclosure necessary in advance of each trade if the same amount/percentage is charged for all or most trades?	Not applicable.	Dealer Member Rule section 29.9 requires that a client be informed of the charges associated with a trade before the Dealer Member accepts client instructions to proceed with the trade. While this disclosure would normally take place just prior to proceeding with any trade, it would be acceptable in the instance where a standard charge amount/percentage applies to all or most trades to inform the client: • when the account is opened or at another earlier date of standard charge amount/percentage that would normally apply to the trade; • just prior to the trade that either: o the standard charge applies; or o the standard charge does not apply and • just prior to the trade, where there standard charge does not apply, the charge amount or a reasonable estimate of charge amount.



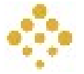
Question	***Background***	***Response***
***Pre-trade disclosure* of charges** *[Dealer Member Rule section 29.9]*		
4. How do order execution only dealers provide the necessary pre-trade disclosure for pending mutual fund trades?	Because order execution only dealers do not have individual registered representatives communicating by phone, for example, with each client prior to the trade, the communication of detailed mutual fund fee information to each client prior to each mutual fund trade is challenging. A generic/sample fee schedule can be relatively easily provided but providing the specific fee schedule for each fund is much more difficult to do on a pre-trade basis. Some firms are referring clients to the specific fee information rather than sending the clients the specific information (i.e. they are relying on "access equals delivery").	We appreciate that there are unique challenges to how order execution only dealers communicate charge information to their clients on a pre-trade basis. However, since the rule does not mandate the means of communication that must be used, other communication methods such as on-line account notifications may be used as an alternative to communicating by phone. Specific to the issue of disclosing potential deferred sales charges on mutual funds, the following response was included in IIROC's first response to public comments received on its CRM2 proposals which was included in IIROC Rules Notice 14-0133: *"IIROC staff believes that Deferred Sales Charge (DSC) information is readily available for each mutual fund and that there are no impediments to the communication of this information to a client before the Dealer Member accepts the client trade instruction. In the circumstance where DSC information and/or whether or not a DSC fee applies is unavailable/unknown for a particular proposed mutual fund transaction, we question why the transaction should take place until such information is available/known and, after taking this information into consideration, the transaction is determined to be appropriate.* *IIROC staff do not believe that a generic DSC schedule meets the requirement in proposed Dealer Member Rule clause 29.9(1)(b) to provide the client with fund-specific DSC information in advance of the trade if the generic DSC schedule does not reflect the DSC information for specific mutual fund."*



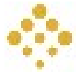
Question	Background	Response
Pre-trade disclosure of charges *[Dealer Member Rule section 29.9]*		
		We also note that the challenge of providing clients with accurate pre-trade charge information must ultimately be addressed when Dealer Members are required to provide their client with the mutual fund "Fund Facts" document on a pre-trade basis. In the interim, until the requirement to provide the "Fund Facts" document on a pre-trade basis comes into effect, Dealer Members are expected to use other means to provide their clients with accurate mutual fund charge information on a pre-trade basis.
5. How does the pre-trade charge disclosure obligation apply to trades in debt securities?	Effective July 15, 2014, Dealer Members were subject to: • new requirements to provide clients with information about the charges associated with a proposed trade in advance of the trade; and • enhanced debt security trade confirmation disclosure requirements. The mandatory minimum effect of the enhanced debt security trade confirmation disclosure requirements set out in Dealer Member Rule clause 200.2(l)(v) is that the gross commission amount paid by the client must now be disclosed on a debt security trade confirmation. Dealer Member Rule 29.9 requires pre-trade disclosure of all "charges the client will be required to pay, directly or indirectly, in respect of the purchase or sale". A technical application of this requirement to a proposed debt security trade would result in requiring a Dealer Member to disclose more compensation-related information to the client in advance of the trade than is required to be disclosed to the client on the trade confirmation that is issued subsequent to the trade.	It was never intended that a Dealer Member would be required to disclose more compensation-related information to the client in advance of the trade than is required to be disclosed to the client on the trade confirmation that is issued subsequent to the trade. As a result, it is acceptable that for a proposed debt security trade, the pre-trade charge disclosure be limited to: • the gross commission amount or a reasonable estimate of the gross commission amount, where the Dealer Member subsequently discloses the gross commission amount on the related trade confirmation that is issued for the trade; or • the total compensation amount or a reasonable estimate of the total compensation amount, where the Dealer Member subsequently discloses the total compensation amount on the related trade confirmation that is issued for the trade.



Question	*Background*	*Response*
***Pre-trade disclosure* of charges** *[Dealer Member Rule section 29.9]*		
6. Is pre-trade disclosure required for account transfer-related sales? If so, which Dealer Member must provide the disclosure - the Delivering Dealer Member or the Receiving Dealer Member?	It is not uncommon where a client account is being transferred from one Dealer Member (the "Delivering Dealer Member") to another Dealer Member (the "Receiving Dealer Member") for the Receiving Dealer Member to not have the capability to transfer-in and/or support the ongoing holding of certain client account positions. As a result, in order to complete the transfer of account assets, the Delivery Dealer Member would be requested by the Receiving Dealer Member to sell these positions and in turn transfer to the Receiving Dealer Member the cash proceeds. As trades are required to facilitate these "in cash" transfers, the question of whether there is a pre-trade obligation to disclose the charges associated with these trades arises.	Yes, because trades are required to facilitate these "in cash" transfers, pre-trade disclosure to the client of the charges that will apply to these trades must be provided. While the rule requirement to provide this disclosure would technically apply to the "Delivering Dealer Member", there are both practical and fairness reasons why it would be more appropriate for the "Receiving Dealer Member" to provide this disclosure to the client. First, once the client has decided to change firms, the client will likely not wish to receive any further communications from the Delivering Dealer Member. Second, in most cases it is the inability of the Receiving Dealer Member to support the ongoing holding of certain client positions in the client's new account that results in the need to liquidate these positions and to transfer the disposal cash proceeds to the Receiving Dealer Member. Because of these practical and fairness reasons, IIROC believes it would be appropriate to allow the Receiving Dealer Member to provide this disclosure to the client on the Delivering Dealer Member's behalf.
7. Do new issue fees need to be disclosed on a pre-trade basis?	New issue fees are paid by the issuer company to compensate the Dealer Member for: • in part, the services it provides to the issuer company in structuring, pricing and otherwise readying for market the new security issuance; and • in part, the services it provides in selling the new security issuance to clients (the "commission portion") The commission portion of the new issue fee is not always easily determinable for a particular new issue security distribution.	The commission portion of the new issue fee for a particular new issue security distribution is not subject to the pre-trade charge disclosure requirements at this time.



Question	*Background*	*Response*
***Pre-trade disclosure* of charges** *[Dealer Member Rule section 29.9]*		
8. What are the audit trail expectations for the pre-trade disclosure of charges	Not applicable.	Dealer Member Rule section 29.9 formalizes a requirement that a Retail Customer be informed of all charges associated with a client instruction to purchase or sell a security in an account before the purchase or sale takes place. This is a codification of a long-standing industry best practice that was previously discussed in IIROC's Client Relationship Model guidance [refer to IIROC Rules Notice 12-0108] and is consistent with the equivalent requirement introduced in section 14.2.1 of the CSA CRM2 amendments. Dealer Members are required to maintain documented evidence that the required pre-trade compensation disclosure to/discussion with their client has taken place. In the case where the disclosure has been provided in writing to the client, a copy of the written disclosure provided should be retained. In the case where the disclosure has been provided by having a discussion with the client, while it is a best practice that the documentation retained for the conversation include specific details of the conversation with the client, including the exact dollar amount of the compensation or compensation estimate disclosed to and discussed with the client, this level of detail is not specifically required under Dealer Member Rule 29.9 - a checkbox approach indicating that the required pre-trade compensation discussion with the client had taken place would therefore be acceptable.



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<tr><td colspan="3">Statement contents - new individual position cost disclosure [Dealer Member Rule subsections 200.1(b) and 200.2(d)]</td></tr>
<tr><td>9. Is "N/A" disclosure acceptable on the statement when position cost is unavailable?</td><td>As part of the public comments IIROC received on its proposed CRM2 amendments commenters recommended that, rather than requiring Dealer Members to use date of rule implementation market value as a proxy for “original cost” or “book cost” when cost information is unavailable, Dealer Members be allowed to simply inform that client that the individual position cost of certain account positions held as at the rule implementation date could not be determined. The commenters further supported this recommendation by stating that allowing this alternative would ensure that clients wouldn’t incorrectly use market value information as tax cost information in their income tax filings.</td><td>The following response was included in IIROC’s second response to public comments received on its CRM2 proposals which was included in IIROC Rules Notice 14-0214:
“The objective of the requirement to provide position cost information to clients is to enable clients to assess on a quarterly basis whether they have made or lost money on individual account investments. To achieve this objective, the proposed amendments allow the client:
• where cost information is provided, to assess whether they have made or lost money on the individual account position since the investment position was purchased;
• where, in the case of transferred-in security positions, market value information as at transfer date is provided (instead of either “book cost” or “original cost” information for such positions), to assess whether they have made or lost money on the individual account position since the investment position was transferred-in to the Dealer Member;
• where, in the case of existing account positions as at July 15, 2015, market value information as at July 15, 2015 is provided (instead of either “book cost” or “original cost” information for such positions), to assess whether they have made or lost money on the individual account position since July 15, 2015.
Without a requirement to provide some form of comparative information, as recommended by the commenter where “book cost” or “original cost” information is unavailable, the client will have no ability to make an assessment as to whether they have made or lost</td></tr>
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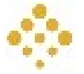
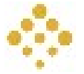
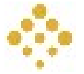


Question	***Background***	***Response***
Account statement *[Dealer Member Rule subsection 200.2(d)]*		
Statement contents - new individual position cost disclosure *[Dealer Member Rule subsections 200.1(b) and 200.2(d)]*		
		money on the individual account position. This would undermine the intent of the proposed individual position cost disclosure requirement. *The commenter also raises the issue of investor confusion as a rationale for not requiring the disclosure of comparative information when individual position cost information is unavailable. The issue of potential investor confusion and potential misuse of individual position cost information provided is an issue irrespective of whether "book cost", "original cost" or prior point in time market value comparative information is provided to the client. Specifically, as:* • *where either "original cost" or point in time "market value" information is provided to the client, this information cannot be used as the "adjusted cost base" for tax reporting purposes; and* • *where "book cost" information is provided to the client, this information cannot be used as the "adjusted cost base" for tax reporting purposes where the client holds positions of the same security in more than one account.* *In summary, the potential for client misuse of comparative information exists irrespective of whether "book cost", "original cost" or point in time market value information is provided. To manage this potential for misuse, it is expected that firms will provide the appropriate disclosures to the client describing what the information can be used for rather than not providing the client with the comparative information."*



Question	***Background***	***Response***
Account statement *[Dealer Member Rule subsection 200.2(d)]*		
Statement position valuation - revised "market value" definition *[Dealer Member Rule subsections 200.1(c) and 200.2(d)]*		
10. Why does the revised "market value" definition require the use of last bid and ask prices rather than last traded price to value client account positions? Doesn't use of this valuation approach sometimes result in reporting misleading values?	As part of the public comment process a commenter expressed concerns about using last bid and ask prices to value client positions in listed securities and argued that last traded price provided clients with better information, was the current industry standard and therefore less costly to provide and was more comparable to the pricing information available from websites and other public sources.	The following response was included in IIROC's second response to public comments received on its CRM2 proposals which was included in IIROC Rules Notice 14-0214: *"We agree that pricing inconsistencies may result through the universal use of one valuation approach – however, this would be the case if either the "last bid and ask prices" valuation approach or the "last traded price" valuation approach is used. It is for this reason that while IIROC's proposed "market value" definition stipulates that "last bid and ask prices" is the default valuation approach to be used, the definition also allows the making of adjustments that are "...considered by the Dealer Member to be necessary to accurately reflect the market value". Specifically, in the case of liquid securities, if it can be demonstrated through use of a periodic assessment that the currently used "last traded price" valuation approach results in security market values that are materially the same as under the "last bid and ask prices" valuation approach, it may be acceptable to continue to use this current "last traded price" valuation approach. However, in the case of illiquid securities, where the use of the "last traded price" valuation approach has frequently resulted in positions being valued using stale prices, it would generally be expected that the "last bid and ask prices" valuation approach would always be used, unless it could be demonstrated that the values did not accurately reflect the illiquid security's market value."*



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<tr><td>11. In the case of illiquid security positions, when should a Dealer Member indicate that:
• the security market value is not determinable or not available?
• the security market value is nil?</td><td>The issue of “stale pricing” is a challenge faced by Dealer Members when:
• valuing account positions for the purposes of account statement reporting to clients
• valuing client and Dealer Member inventory account positions for the purposes of regulatory reporting to IIROC
While the revisions to the “market value” definition were made in part to help address this issue, by not relying exclusively on the occurrence of a trade to determine market value, proper management of the stale pricing issue requires the adoption of firm procedures and the ongoing exercising of professional judgment to ensure that:
• any market value assigned to a security is the Dealer Member’s best estimate of its current value
• informing the client that the security’s market value is “not determinable” or “not available” occurs in cases where the Dealer Member’s estimate of the current value of the security is either unreliable or unavailable
• informing the client that the security’s market value is nil occurs in cases where the Dealer Member is unavailable to assign a current value to the security for an extended period of time
Addressing the practical issues of when should a Dealer Member indicate that the security market value is not determinable or not available and when should a Dealer Member indicate that the security market value is nil are therefore important elements of any set of firm policies and procedures designed to manage the stale pricing issue.</td><td>There are no specific answers to either of these questions as in most cases the answers can only be determined by looking at facts specific to each security position being valued.
The following considerations have been developed by IIROC staff to assist in determining when the market value for a particular account position is either “not determinable” or “not available”:
• the position is illiquid;
• there is little or no issue and issuer related financial data available or the data is stale;
• there is little or no financial data available for comparable issuers or for the issuer’s business sector;
• there is not enough data to use the IFRS valuation approaches and/or the results of the various IFRS approaches used have been determined to be unreliable because of the use of unreliable data or the results indicate a wide range in possible values; and
• the cost of the position is outside the range of possible values for the position.
Important to applying these considerations is establishing and maintaining a firm policy as to how many days beyond which the last data available is considered to be stale. Similarly, key to determining which account positions are assigned a nil market value is establishing and maintaining a firm policy as to how many days beyond which the market value of the security is considered to be nil. Establishing these time periods can be difficult. We understand an industry initiative is underway to try to reach a consensus on what these time periods should be.</td></tr>
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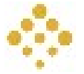

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<tr><td>12. How are debt securities to be valued under the revised “market value” definition?</td><td>Some Dealer Members that engage in proprietary trading of debt securities and that make debt securities available for purchase to their retail customers maintain both wholesale debt inventory and retail debt inventory accounts.
If both wholesale and retail debt inventory accounts are maintained, the following questions arise:
• Is it acceptable to value the wholesale inventory positions at a different price than positions of the same debt security held in a retail inventory account?
• If so, what price should be used to value client account debt security positions - wholesale or retail?</td><td>Valuation of Dealer Member debt security inventory positions
All inventory positions in the same debt security should be valued using the wholesale market last bid and ask prices for that security, irrespective of whether the position is held at any point in time during the day or at the end of day within a wholesale inventory account or a retail inventory account. While the revised “market value” definition allows the making of pricing adjustments that are “…considered by the Dealer Member to be necessary to accurately reflect the market value” the practical application of this provision would require looking at the combined (both wholesale and retail) inventory holdings for a particular debt security and determining whether an adjustment to the prevailing wholesale price for the security is necessary/justified.
Valuation of client debt security positions
The challenge with determining the values assigned to client debt security positions, specifically retail client positions, is that some firms apply a mark-up or mark-down to the prevailing wholesale price to arrive at a “retail” price/market value for a retail client debt security position. The effect of this approach is that long/short debt security positions in retail client accounts could potentially be assigned a lower/higher market value at any point in time than the same position would otherwise receive in a firm inventory account or in an institutional client account. A number of other firms, on the other hand, use wholesale prices to value all client account debt security positions (both retail and institutional). Both approaches to valuing debt positions for the purposes of transacting with retail</td></tr>
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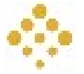
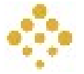
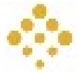


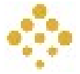
Question	***Background***	***Response***
Account statement *[Dealer Member Rule subsection 200.2(d)]*		
Statement position valuation - revised "market value" definition *[Dealer Member Rule subsections 200.1(c) and 200.2(d)]*		
		clients in debt securities continue to be acceptable under the new "market value" definition. Whichever approach is used, it is important to note that the approach used to value client debt security positions on an ongoing basis must be the same as the approach used for the purposes of transacting with clients in debt securities. For example, it would be inappropriate to use the prevailing wholesale price to value a retail client debt security position for the purposes of periodic account statement reporting when the Dealer Member uses a "mark-up/mark-down" approach for the purposes of transacting with retail clients in debt securities. Rather, in this instance, the values reported in client's periodic account statement should be "mark-up/mark-down" approach values.



Question	***Background***	***Response***
Trade confirmations *[Dealer Member Rule subsection 200.2(l)]*		
Confirmation disclosure placement		
13. Which trade confirmation disclosure elements must be placed on the front/first page of the trade confirmation and which trade confirmation disclosure elements may be placed on the back/second page of the trade confirmation?	With the introduction of new trade confirmation disclosure requirements for debt security trades on July 15, 2014, a number of Dealer Members have inquired as to whether parts of these new disclosure requirements can be included on the back / second page of the trade confirmation.	The following response was included in IIROC's first response to public comments received on its CRM2 proposals which was included in IIROC Rules Notice 14-0133: *"The commenter's statement that "we are not aware of any requirements under the CRM2 Rules or otherwise as to the specific location of this notification" suggests that the commenter intends to disclose the new debt trade confirmation notification language in a location other than on the front page/first page of the paper/electronic trade confirmation). While we agree that neither current nor proposed Dealer Member Rule 200 specify a location for each trade confirmation element on any trade confirmation that is issued, Dealer Member Rule section 29.7 prohibits the distribution of any correspondence to clients (including trade confirmations) which, among other things:* • *contains any untrue statement or omission of a material fact or is otherwise false or misleading" - [Dealer Member Rule sub-clause 29.7(1)(a)]; and/or* • *"does not comply with any applicable legislation or the guidelines, policies or directives of any regulatory authority having jurisdiction." - [Dealer Member Rule sub-clause 29.7(1)(g)]* *In the case of the new debt trade disclosure obligations to Retail Customers, the Dealer Member must disclose to the client:* • *The dollar amount of either the gross commission or total compensation the Dealer Member earned on the trade; and* • *Where gross commission is disclosed, a text notification indicating that additional compensation has been (may*

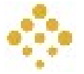


Question	*Background*	*Response*
Trade confirmations *[Dealer Member Rule subsection 200.2(l)]*		
Confirmation disclosure placement		
		have been) taken on the trade." *With respect to the dollar amount disclosure requirement, IIROC expects that this amount would be disclosed on the front page/first page of the paper/electronic trade confirmation, along with all other trade-specific information required to be included on the trade confirmation.* *With respect to the text notification, IIROC would prefer that this disclosure would also be provided on the front page/first page of the paper/electronic trade confirmation. However, if this is not possible due to trade confirmation space constraints, the text notification may be provided on a page other than the front/first page of the paper/electronic trade confirmation, provided that text is included on the front page/first page of the paper/electronic trade confirmation that directs the reader to the additional debt trade compensation disclosure information set out elsewhere on the paper/electronic trade confirmation. Without this text on the front/first page of the paper/electronic trade confirmation, clients could conclude that the only compensation they paid on the debt security trade was the "gross commission" amount and the trade confirmation would be considered to be "misleading" under Dealer Member Rule sub-clause 29.7(1)(a)."*



Question	***Background***	***Response***
Enhanced suitability assessment obligation *[Dealer Member Rule section 1300.1]*		
Know your client information - new required "investment time horizon" data element		
14. Does time horizon information have to be collected from each client even if the client does not have a specific investment time horizon in mind?	Not every client has an investment objective that must be achieved within a specified period of time. This is particularly the case for long-term investment objective such as saving for retirement.	The client should be asked whether they have a specific time horizon within which they would like to meet their investment objective(s). While negative confirmation approaches are acceptable for reminding the client to inform the firm when their know your client information has changed, in this case (where a new requirement to collect investment time horizon information has been introduced) there should be a positive inquiry as the client wouldn't have necessarily previously provided time horizon information to the firm and/or wouldn't necessarily know that they should provide such information to the firm. From a practical standpoint, as long as the information is collected within a reasonable period of time, it would be fine to ask the client whether they have a specific investment time horizon in mind before or at the time the next suitability assessment must take place. This will generally be at or before the time the next trade is recommended by the advisor or the next client initiated order is accepted by the advisor. If they do have a specific investment time horizon in mind, the information should be collected and assessed for reasonableness to ensure that the client's stated investment objectives are achievable within the client's stated time horizon. If they don't have a specific investment time horizon in mind that's also fine as long as this is also documented by the firm. These comments are consistent with the guidance set out in the "time horizon" and "periodic updates and review" sections of IIROC Rules Notice 12-0109.

CRM - Frequently Asked Questions [as at October 16, 2014]



Question	***Background***	***Response***
Relationship disclosure *[Dealer Member Rule 3500]*		
New required "investment performance benchmark" disclosure element		
15. What is an acceptable approach for disclosing the necessary information relating to investment performance benchmarks to all clients on or before the July 15, 2014?	Given that Dealer Members have just recently completed delivery of a complete set of relationship disclosure information to all clients, what is an acceptable form for disclosing the necessary information relating to investment performance benchmarks to all clients on or before the July 15, 2014 implementation date.	The following is acceptable as per the e-mail sent to all Dealer Member UDPs, CCOs and CFOs on January 28, 2014: ***"Specifics relating to additional rule requirement coming into effect on July 15, 2014*** *To implement this new requirement to provide information about investment performance benchmarks, IIROC Dealer Members will not be required to send a complete updated set of relationship disclosures to all clients. Rather, it will be sufficient to send the discussion of investment performance benchmarks to clients as a separate (likely one-page) "Relationship Disclosure Addendum". This discussion should then be incorporated into the firm's combined relationship disclosure materials within a reasonable period of time (but no later than July 15, 2016) so that new clients will be provided with this information about investment performance benchmarks as part of a combined set of account relationship disclosures."*
Who is required to provide the disclosure		
16. Where a Dealer Member has appointed an external portfolio manager to make investment decisions for its managed accounts, which registrant is required to provide the relationship disclosure information to the client?	Not applicable.	The Dealer Member must provide relationship disclosure information to these clients as these managed accounts are accounts opened with the Dealer Member. The relationship disclosure information provided should include a discussion of the account investment decision making role of the externally appointed portfolio manager.