

WHAT IS CRM 2?

Answering your questions about regulatory change

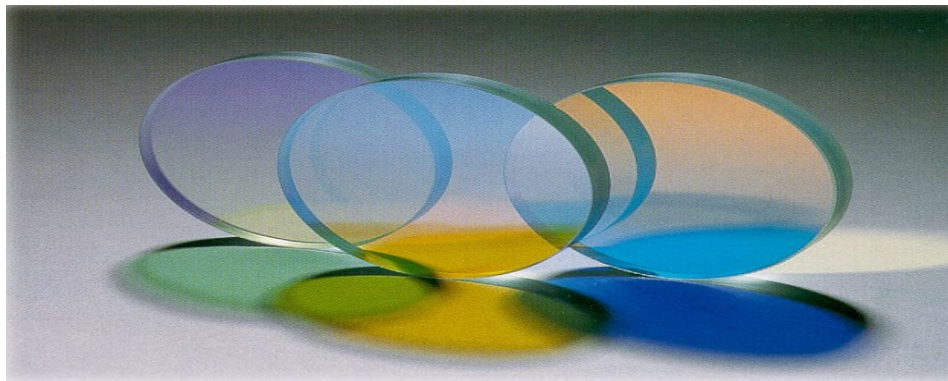


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You may have heard about it in the news – the Client Relationship Model II, or simply “CRM2.” CRM2 is part of a global shift towards increased disclosure and transparency in the investment industry which will provide investors with more details on the fees and performance of their investment accounts. All investment dealers in Canada will provide two new detailed reports to clients regarding their account performance and fees by early 2017.

To help answer any concerns that you may have about these new reports, we have prepared the following questions:

1) “Why am I getting all of this paper?”

The regulators have requested that you receive two separate reports for each and every account that you hold.

The first report that you will receive on an annual basis is the charges and compensation report. This report will disclose the costs paid by you to the firm and other compensation received by the firm in relation to services provided to you on an account by account basis.

The second report that you receive is the annual investment performance report. This report will show an account’s returns over certain time periods starting from January 1, 2016. Notably, this report will show “*money-weighted*” rates of return. This is a different way of calculating investment performance than the “*time-weighted*” method that is currently used by RBC Dominion Securities and across the industry. Money-weighted return can be thought of as a “personal” rate of return because it factors in the impact of the amount and timing of money you deposit into or take out of your account, whereas time-weighted does not.

2) “Are these new fees that I’m paying?”

It is important to know that there is no change to the costs that you are paying as a result of these new reports. The reports are meant to provide a detailed and transparent disclosure of all of the costs associated with your investments.

3) “Why don’t my returns match up?”

If the performance return shown on your new report does not match up with your existing account statement, it may be because the new performance reports are using the “money-weighted rate of return” calculation method as opposed to the “time-weighted rate of return” calculation method. For more information, ask for our factsheet “*Time-weighted vs. money-weighted rates of return.*”



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4) “What are trailing commissions?”

A trailing commission can be included as a component of the mutual fund Management Expense Ratio (MER) fee for some mutual funds. In these instances, fund companies pay ongoing fees called trailing commissions to RBC Dominion Securities. The trailing commission pays for value added activities that your advisor and their firm provides with respect to the mutual fund including: the infrastructure required of RBC Dominion Securities to support the distribution, sales and services of the mutual fund, monitoring and portfolio re-balancing and ongoing regulatory client communications and activities. For more information, ask for our factsheet “*Anatomy of the Management Expense Ratio.*”

5) “What do my investment costs pay for?”

There are a host of benefits and functions that are covered by the costs that you pay for in your investment accounts. These include the advice and service provided to you on a daily basis, the protection and privacy of your information and assets, the ability to access accounts online, capital markets research, back-office transaction processing, custody statements, tax reporting, risk controls and regulatory compliance to name a few.

Please contact me if you would like to discuss any of the above questions or if you would like to discuss anything further about these new reports. We fully support these initiatives as they reinforce both RBC Dominion Securities’ and our team’s commitment to transparency and full disclosure.



We are able to offer you access to our in house RBC Wealth Management team of lawyers, accountants and financial planning professionals. If you are interested in reviewing your estate or financial plan, please call us to book an appointment.

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