

## POLICY NO. 12

### REQUIREMENTS AND GUIDELINES FOR RELATIONSHIP DISCLOSURE FOR RETAIL CLIENTS

#### Part 1: RELATIONSHIP DISCLOSURE

##### Introduction

This Policy establishes the minimum industry standards for relationship disclosure for clients in an advisory relationship, order-execution service account relationship and a retail managed relationship. Relationship Disclosure is a communication from the Member and advisor to the client concerning the nature of the account and the manner in which it will operate. The disclosure specifies the responsibilities of the Member and the adviser, as well as client responsibilities.

The purpose of the Relationship Disclosure Document is to enable firms, advisors and clients to clearly understand the nature of the relationship and what all parties can and should do to ensure a satisfactory ongoing relationship. Under this Policy, a client must be provided with or be given access to the Relationship Disclosure Document (RDD) containing this information.

This Policy should be reviewed in conjunction with

Regulation 1300.2, Know your Client, Suitability and Supervision,  
Regulations 1300.3 to 1300.21, Discretionary and Managed Accounts,  
Policy No. 2, Minimum Standards for Retail Account Supervision, and  
Policy No. 9 Minimum Requirements for Members Seeking Approval under Regulation 1300.1(s) for  
Suitability Relief for Trades not Recommended by the Member.

The Relationship Disclosure will not take the place of “know your client” forms, accounts agreement or disclosures of investment plans. [NTD: this information is currently drafted as Part 2 of proposed Policy Nos. 12, 13 and 14 New Client Account Opening Requirements and Guidelines.]

#### I. Definitions of Account Services

**[NTD: we do not believe that definitions are needed in the Policy and that this section should be removed]**

*For purposes of this Policy, an advisory account is an account where the client is responsible for investment decisions but is able to rely on advice given by the adviser. The adviser is responsible for the advice given. In providing this advice, the adviser must meet an appropriate standard of care, provide suitable investment recommendations and provide unbiased investment advice.*

*Members have the choice of providing a standardized industry relationship document or their own customized relationship document to each client.*

*For purposes of this Policy, an order-execution service account is an account opened in accordance with “order-execution service” as defined in Policy No. 9 – “Order-execution service means the acceptance and execution of orders from customers for trades that the Member has not recommended and for which the Member takes no responsibility as to the appropriateness or suitability of the trades to the customers’ financial situation, investment knowledge, investment objectives and risk tolerance”.*

*For purposes of this Policy, a managed account is an account as defined in Regulation 1300.3: “Managed account” means any account solicited by a Member or any partner, director, officer or registered representative of a Member, in which the investment decisions are made on a continuing basis by the Member or by a third party hired by the Member”.*

*In this type of account, the investor relies completely within agreed limits on the “portfolio manager”. The portfolio manager is given the discretion to make and implement investment decisions for the investor. The investor has no decision-making role for individual trades.*

*Generally, the service of managed accounts is offered to many clients with the Member and client selecting the portfolio or combination of portfolios to fit the investor's particular needs. In instances where a managed account designed to meet specified investment objectives, the Member must assess the suitability of each investment.*

## **II. Form of the Relationship Disclosure Document**

1. Members must provide clients with meaningful and prominent disclosure, entitled Relationship Disclosure, which clearly establishes and documents the roles and responsibilities of the registered representative, the Member and the client.

- (a) Each Member will provide or make available a standardized industry disclosure document attached as Schedule A.
- (b) Where a Member wishes to use its own customized Relationship Disclosure Document the form and presentation will not be prescribed but:
  - (i) any customized Relationship Disclosure Document must be in a form acceptable to the Association, and
  - (ii) pursuant to Regulation 1300.2, any customized Relationship Disclosure Document must be approved by a partner, director, officer or branch manager.

2. If the Member so chooses they may maintain an audit trail to evidence that the information has been provided to or made available to the client. No client signature or acknowledgement is required.

3. A Relationship Disclosure Document may be sent to a client by ordinary mail. Alternatively, the Member may provide by mail or by a clear message on a client account statement or otherwise, a notice to clients that the Relationship Disclosure Document is available on request by any client or may be accessed by any client on the Member's website or on the website of the Association or any securities regulatory authority.

4. The Member will provide notice to clients of the availability of the Relationship Disclosure Document at the time an account is opened for a new client and at least once in each calendar year for existing clients.

## **III. Optional Additional Information**

### **Products Available**

Each Member may attach to the Relationship Disclosure Document or provide a web link to a document containing information on the type of products they offer with a short description of each.

### **Conflicts of Interest and Management**

Each Member may attach to the Relationship Disclosure Document or provide a web link to a document containing a detailed description of any conflicts of interest that the Member may have.

### **Fees and Service Charges**

Each Member may attach to the Relationship Disclosure Document or provide a web link to a document containing a customized fee schedule.

#### **IV. Annual Portfolio Review**

The onus is placed upon the client to request an annual portfolio review if they wish. This review may also occur more frequently if the client so chooses.

This annual portfolio review is to make certain that a robust discussion occurs between an advisor and client on a regular basis to ensure that there is a mutual understanding of the standards and expectations in the relationship.

This discussion would review the client's account holdings and investment strategy. The annual review would also discuss the performance of client's account or portfolio, if the client chooses, and at this time, may review various reports with the advisor.

Where a client does not receive the level of service that they have discussed and agreed upon with their advisor, a client should be made aware that they have the option of complaining to the branch manager or to head office, or they may terminate their relationship with the advisor.