

July 3, 2025

25-0176

Rules Bulletin > Implementation Bulletin

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Distribute internally to:

Institutional, Internal Audit, Legal and Compliance,
Operations, Research, Retail, Senior Management,
Training

Rule Connection: IDPC Rules / MFD Rules

Division: Investment Dealer / Mutual Fund Dealer

Enhanced Cost Reporting

Executive Summary

The Canadian Securities Administrators (**CSA**) have approved amendments to the client reporting requirements in CIRO Rules (**Amendments**). The Amendments are to both the Investment Dealer and Partially Consolidated (**IDPC**) Rules and the Mutual Fund Dealer (**MFD**) Rules and were published for comments in CIRO Rules Bulletin [24-0288](#).

The Amendments seek to further investor protection by mandating enhanced transparency of investment fund costs and ensuring regulatory alignment on the matter.

The Amendments will be effective on January 1, 2026, as indicated in section 4 of this bulletin.

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1. Background

On April 20, 2023, the Canadian Securities Administrators (**CSA**) and the Canadian Council of Insurance Regulators (**CCIR**) jointly published the Total Cost Reporting Enhancements (**TCR Enhancements**), with the objective of enhancing the cost disclosures for investment funds and segregated fund contracts.¹ These enhancements consist of:

- amendments to National Instrument 31-103, and corresponding changes to Companion Policy 31-103CP, with impact on securities registrants (i.e. the CSA's TCR Enhancements); and
- the Individual Variable Insurance Contract Ongoing Disclosure Guidance, with impact on insurers offering segregated fund contracts (Insurance Guidance).

To ensure regulatory alignment on the matter, we proposed our own amendments to the reporting requirements in CIRO rules. The Amendments introduce new requirements and amend existing requirements in both the IDPC Rules and the MFD Rules (altogether referred to as **CIRO Rules** in this bulletin). The Amendments consist, to the extent feasible, of equivalent requirements for both investment dealers and mutual fund dealers.

2. Comments received

We received (7) seven comment letters in response to Bulletin 24-0288. We provide a summary of these comments and our response in **Appendix E**.

Some commenters requested further clarification and guidance on certain aspects of the TCR Enhancements. CIRO will issue future guidance in the context of the consolidated CIRO rules.² In the meantime, we encourage Dealers to refer to the Companion Policy 31-103CP *Registration Requirements, Exemptions and Ongoing Registrant Obligations* and the accompanying sample of the annual cost and compensation report for further guidance.

3. The Amendments

This section provides a high-level summary of the Amendments.³ No changes to the Amendments, as proposed in Bulletin 24-0288, are necessary following the publication for comments.

The Amendments consist of the following:

- *Total cost reporting enhancements*, which correspond to, and are materially harmonized with, the CSA's TCR Enhancements. Consistent with the CSA's TCR Enhancements, under our amended rules Dealers are required to report in the annual fee/charges report to clients for the account, as

¹ The CSA and CCIR Joint Notice of Publication can be found on CSA members' websites and on the CCIR website, under the title *CSA and CCIR Notice of Publication – CCIR Individual Variable Insurance Contract Ongoing Disclosure Guidance and Amendments to National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and to Companion Policy 31-103CP Registration Requirements, Exemptions and Ongoing Registrant Obligations – Total Cost Reporting (TCR) for Investment Funds and Segregated Funds*.

² A review is currently underway for the IDPC Rules and MFD Rules, with the goal of consolidating them into the consolidated CIRO Rules. For further information and updates on this project refer to [CIRO's website](#).

³ Please refer to Bulletin 24-0288 for a detailed discussion of the Amendments, including their rationale and impact.

a whole, for all investment fund securities⁴ owned by the client during the reporting period the following new, or enhanced, information:

- (i) the total (aggregate sum) amount of fund expenses, in dollars, for all investment fund securities,
- (ii) the total (aggregate sum) amount of direct investment fund charges, in dollars, for all investment fund securities,
- (iii) the fund expense ratio, as a percentage, for each investment fund class or series of securities,
- (iv) the aggregate total amount of the reported fund expenses and charges listed under (i) and (ii) above, and
- (v) the aggregate total amount of investment fund costs (listed under (iv) above) and Dealer operating and transaction charges, currently reportable under CIRO Rules.

Furthermore, the Amendments:

- specify the method for calculating the aggregate amount of fund expenses;
 - expand the notifications in the annual fee / charges report, to better assist the clients in understanding what is being reported and what is not;
 - clarify Dealer responsibility with regards to the reportable fee information and use of reasonable approximations;
 - provide for reporting exemptions.
- *Additional related amendments*, specific to CIRO Rules, that further clarify and align our reporting requirements and add efficiency to our exemption process. More specifically, these amendments:
 - clarify Dealer responsibility for reporting the required investment fund fees and charges, even when such fees and charges are not paid directly or indirectly to the Dealer;
 - maintain the existing annual reporting exemptions with regards to institutional clients for investment dealers and extend them to mutual fund dealers;
 - clarify the reporting responsibility in the situation of shared service arrangements; and
 - set out CIRO's staff authority to exempt Dealers from certain client reporting requirements with regards to client outside holdings [client name holdings].
 - *Other non-material amendments*, to improve rule drafting clarity and consistency.

The text of the Amendments to the IDPC Rules and the MFD Rules is set out in **Attachments A and B**, respectively. A blackline of the changes compared to the current CIRO Rules is set out in **Attachments C and D**.

⁴ Most of investment funds fall within the scope of the enhanced cost reporting, including mutual funds, ETFs, scholarship plans and foreign funds made available to the Canadian investors. Prospectus exempt funds and labour sponsored investment funds, however, are excluded from these reporting requirements.

4. Exemptions

In compliance with the amended CIRO Rules,⁵ CIRO staff will consider Dealer requests for exemptions from the quarterly and the annual reporting requirements with regards to client outside holdings [client name] positions.⁶ Staff may grant exemptions when it is satisfied that:

- the costs of requiring the Dealer Member to comply with the reporting requirements significantly outweigh the benefits to the Dealer Member's clients from reporting under these requirements; and
- granting such exemption would not prejudice the interests of the Dealer Member's clients, the public or the Dealer Member.

As indicated in Bulletin 24-0288, staff will make its cost/benefit determination consistent with past practices and on the basis of criteria that are similar, or comparable, to those at the basis of the CRM exemptions on outside holdings.⁷ As such, staff will consider exemption requests from Dealers who can demonstrate that the costs of building and administering reporting capability for client outside holdings [client name] positions significantly outweigh the benefits to the client from such reporting. The criteria at the basis of staff determination include the requesting Dealer Member:

- making good faith effort to convert outside holding [client name] positions into on-book nominee name positions;
- not maintaining a material number or amount of outside holding [client name] positions;
- not promoting, or otherwise actively making available, the option of holding outside holding [client name] positions; and
- not receiving any ongoing compensation on the outside holding [client name] positions.

A Dealer Member who intends to apply for outside holdings exemptions under new IDPC Rule section 3847 and/or MFD Rule section 5.8 should follow the process, and provide the information, set out in the [Exemption Application \(Outside Holdings\) form](#) available on CIRO's website.

Although staff have the authority to grant exemptions from the date the Amendments come into effect, we encourage Dealers to begin the application process ahead of the implementation date.

Dealers with active outside holding exemptions, such as CRM exemptions, must evaluate if their exemptions need to be expanded due to the Amendments. This includes situations where the exempt outside holdings incur investment fund fees that will need to be reported following the implementation of the Amendments, unless the Dealer is exempt from such reporting. CRM exemptions that specifically exempt a Dealer from the quarterly and annual performance reporting requirements do not automatically exempt such a Dealer from the annual fee/charge reporting requirement, including the enhanced reporting of fund fees. The same applies with regards to those CRM exempt Dealers who were

⁵ New IDPC Rule section 3847 and new MFD Rule section 5.8.

⁶ See the definition of outside holdings in IDPC Rule subsection 3802(1), as amended under the Amendments. The equivalent concept under the MFD Rules is client name assets.

⁷ Refer to IIROC Notice [15-0274](#) for details on the CRM exemptions on outside holdings.

allowed, as an exception, to keep the compensation with regard to certain exempt RESP/RDSP outside holdings.

5. Implementation

To align with the effective date of the CSA's TCR Enhancements, the Amendments will take effect on January 1, 2026. Dealer Members are expected to deliver the first enhanced annual fee / charges report incorporating the required information under the Amendments for the year ending December 31, 2026.

6. Appendices

[Appendix A](#) - Clean copy of the Amendments to the IDPC Rules

[Appendix B](#) - Clean copy of the Amendments to the MFD Rules

[Appendix C](#) - Blackline comparison of the Amendments to the current IDPC Rules

[Appendix D](#) - Blackline comparison of the Amendments to the current MFD Rules

[Appendix E](#) - Summary of public comments received