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Under section 14.14 of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (NI 31-103), advisers and dealers are required to deliver an account statement to their clients at least once every three months. The Ontario Securities Commission in its 2012 annual review of advisers, dealers and investment fund managers found that a common deficiency amongst registrants was that they did not deliver these account statements in accordance with this rule.

The purpose of this bulletin is to help clarify these requirements and assist firms in staying on-side with legislation.

### **Custodial Statements Do Not Meet the Requirement**

Many firms rely on their custodian to send an account statement to clients and assume that this meets their obligation. The regulators do not take this position as, among other reasons, many custodians (such as financial institutions) are not regulated by NI 31-103 and its requirement to deliver account statements. All registered advisers and dealers must deliver their own account statements to their clients on their own letterhead.

Firms may outsource the preparation and delivery to another party as long as there is a clear agreement that the third-party is acting as an agent to the firm and is preparing the account statement on the firm's letterhead. Generally speaking, custodians will not be considered to be acting as agents for firms.

### **Conduct Oversight Over Account Statements**

For many firms, their account statements will contain identical information to that in the custodial statement since they rely on the same data. However, firms are still required to review their account statements to ensure the information contained within is correct before delivering the statements to their clients. Firms are not required to review every account statement, but it is recommended they perform risk-based sampling by reviewing a selection of account statements in each delivery period to ensure their accuracy.

### **Account Statements Must Be Delivered at least quarterly**

The language in NI 31-103 is currently ambiguous as it states "Except if the client has otherwise directed, a registered adviser must deliver a statement to a client at least once every 3 months". The regulators have clarified this statement to be clear that all registered advisers and dealers must deliver account statements at least quarterly. Clients are not allowed to request less frequent or no account statements whatsoever. If a client requests they don't receive account statements, firms must refuse this request.

Registered dealers are also obligated to deliver an account statement at the end of any month where during the month a transaction was effected in the account.

## Account statements must include both account holdings and a transactional summary

Under NI 31-103, firms are required to include a list of assets held by the account at the end of the period covered by the statement. This list must include:

- the name and quantity of each security in the account
- the market value of each security in the account
- the total market value of each security position in the account
- any cash balance in the account
- the total market value of all cash and securities in the account

The account statement must also include a list of transactions which occurred in the account during that period. The types of transactions that must be disclosed in an account statement include any purchase, sale or transfer of securities, dividend or interest payment received or reinvested, any fee or charge, and any other account activity. The account statement must have the following information for each transaction:

- the date of the transaction;
- the type of transaction;
- the name of the security;
- the number of securities;
- the price per security; and
- the total value of the transaction.

## Electronic Statements

Some firms are beginning to offer electronic account statements to clients whereby clients can login to the firm's website and either download or generate their own account statement. If a firm is offering this to its clients, it must make sure it does the following:

- Firms must still send an email to the client every quarter (or more frequently, if required) reminding the client that they can access their account statement from the website.
- Firms cannot let clients generate their own account statements. As mentioned above, firms must conduct oversight over the account statements before they are delivered to clients, so allowing a client to generate their own account statement will miss this oversight.

## Consolidated Account Statements

Some firms will manage numerous accounts under a single investment policy statement (such as a household portfolio). As a result, a consolidated account statement may be useful for these clients. Consolidated account statements may be provided to clients, but only as a supplement to the individual account statements which must be provided to the clients. The individual account statements may be combined into a single document as long as the headings and sub-headings clarify the assets held by each account. The regulators may also review the consolidated account statement to ensure that it is appropriate to consolidate the individual accounts under one investment policy statement.

## Future Guidance

It is anticipated that the Canadian Securities Administrators will release a staff notice providing more guidance on this topic in Spring 2013. The staff notice is expected to include new guidance regarding outsourcing and the disclaimer language which must be included on the account statements. In addition, the language in NI 31-103 may be revised to remove any ambiguity within the legislation.

If you have any questions regarding this bulletin or account statements in general, please contact Adam Braun at [abraun@aumlaw.com](mailto:abraun@aumlaw.com) or (416) 966-2004 ext. 222.