

Total cost reporting *facts vs. myths*

Debunking aspects of total cost reporting (TCR) that are often misunderstood due to its regulatory complexity.

Myth #1

TCR introduces new fees to investors.

Fact:

TCR doesn't introduce any new or additional charges. What's changing is how investment costs are reported to investors. Under TCR, the annual report on charges and other compensation (ARCC) will outline embedded product costs, such as fund management fees, fund operating and trading costs, and deferred sales charges incurred on historic holdings during the reporting period.

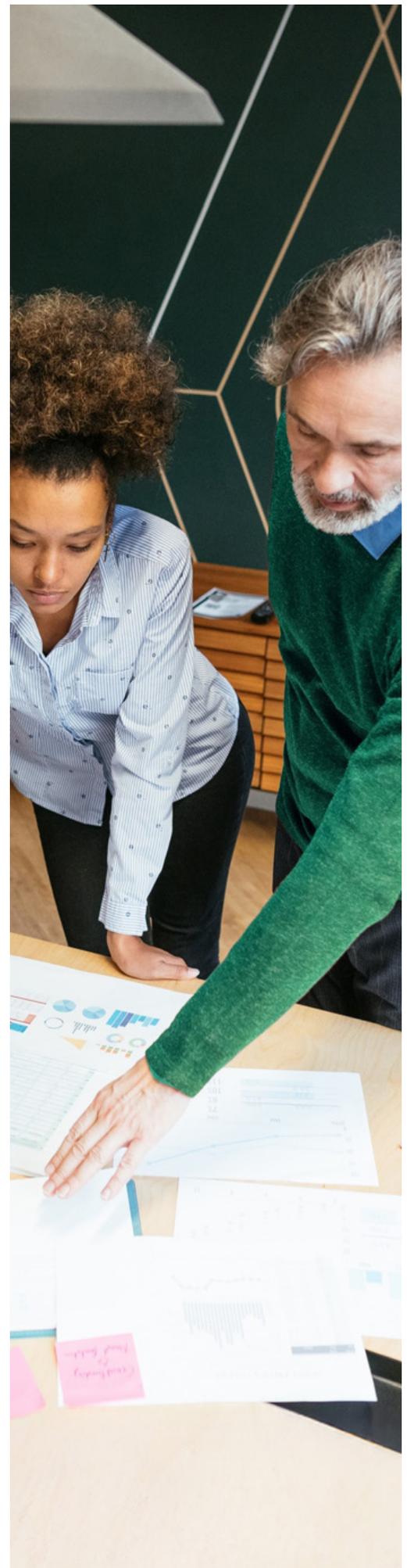
Previously, under the second phase of the Client Relationship Model (CRM2), the annual report on charges and compensation only showed direct fees paid to dealers, including trailing commissions.

Myth #2

TCR replaces performance reporting.

Fact:

Performance information continues to be reported separately as part of the annual reporting package. TCR focuses specifically on cost transparency. Advisors are encouraged to discuss both together, so clients have a full picture of costs and value.



Myth #3

There's only dollar-based cost reporting under TCR.

Fact:

There are two ways that TCR reporting is presented in the ARCC: dollar-based cost reporting and fund expense ratio (FER) percentage reporting.

Dollar-based cost reporting to dealers reflects the daily costs incurred to hold funds that are in scope, providing investors with a more concrete understanding of their aggregate expenses than just a percentage reporting.

FER percentage reporting represents the total percentage of a fund's assets used to cover fund expenses on an annual basis. FER percentage reporting is the same information provided in an investment fund's management report of fund performance (MRFP) and fund facts, or exchange-traded fund (ETF) facts.

The FER has two components:

- Management expense ratio (MER)—covers management fees and fund operating costs.
- Trading expense ratio (TER)—reflects trading costs associated with the fund buying and selling securities

Offering two types of cost reporting provides transparency at both the dollar and percentage levels to help investors make more informed decisions.

Myth #4

Foreign funds are excluded from TCR reporting.

Fact:

Some foreign funds might be reported under TCR (i.e., those not distributed solely under a prospectus exemption), including U.S.-listed ETFs and European mutual funds known as undertakings for the collective investment in transferable securities (UCITS) that are held in Canadian accounts.

In cases where exact cost data for a foreign fund is unavailable, dealers can provide reasonable approximations using foreign public disclosures, such as total expense ratios or, in the case of UCITS, its ongoing charges.

The dealer must include a notification in the ARCC to advise investors that this information may not be directly comparable to equivalent information for Canadian investment funds, which may include different types of fees.

Myth #5

All fund types are in scope for TCR.

Fact:

Some funds are out of scope for TCR, but dealers may voluntarily provide TCR reporting for these funds. If out-of-scope funds aren't voluntarily reported, the dealer must include a notification in the ARCC to advise investors that the information reported doesn't include these products, which may have embedded fees. Be prepared to advise clients on fees being paid for out-of-scope funds.

In scope	Out of scope for reporting (but notification/disclosure in the ARCC is still required)
<ul style="list-style-type: none">• Mutual funds• ETFs• Liquid alternative mutual fund trusts• Exchange-traded alternative mutual fund trusts• Split-share funds• Scholarship plans• Closed-end funds• Some foreign funds (U.S.-listed ETFs and UCITS funds held in Canadian accounts)	<ul style="list-style-type: none">• Private placement funds• Private pooled/exempt funds• Structured products• Labour-sponsored funds

Myth #6

The ARCC must include TCR reporting of an investment fund that's newly established.

Fact:

Newly established funds are excluded from the ARCC until they meet one of the following conditions at the end of the ARCC reporting period:

- For funds required to file an MRFP: after filing their first MRFP.
- For funds not required to file an MRFP: after being established for at least 12 months dealers must notify investors in the ARCC that the ARCC excludes newly established funds, specifically stating that embedded cost information for these funds is not included in the report.

Myth #7

TCR takes effect in 2027.

Fact:

TCR rule requirements are effective January 1, 2026. The delivery of the first ARCC that incorporates TCR reporting is for the reporting year ending December 31, 2026. This means that TCR-related costs incurred by investors through 2026 will be reflected for the first time in the ARCC that investors receive in early 2027.

Myth #8

Investors will be shocked when they see the total fees they've been paying.

Fact:

Research shows that many investors overestimate their fees and are often pleasantly surprised to learn that fund costs are lower than expected. Transparency from advisors and firms helps build trust and reduce investors' sensitivity to fees.

TCR provides an excellent opportunity to engage clients in meaningful conversations, well in advance of them seeing their first TCR annual cost report, in order to reinforce the value of professional advice in helping them achieve their financial goals.

Additionally, many investors have already seen the fee information on fund/ETF facts and MRFPs and on fund manager and dealer websites and/or discussed fees with their advisors.

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