



ATB

Wealth™

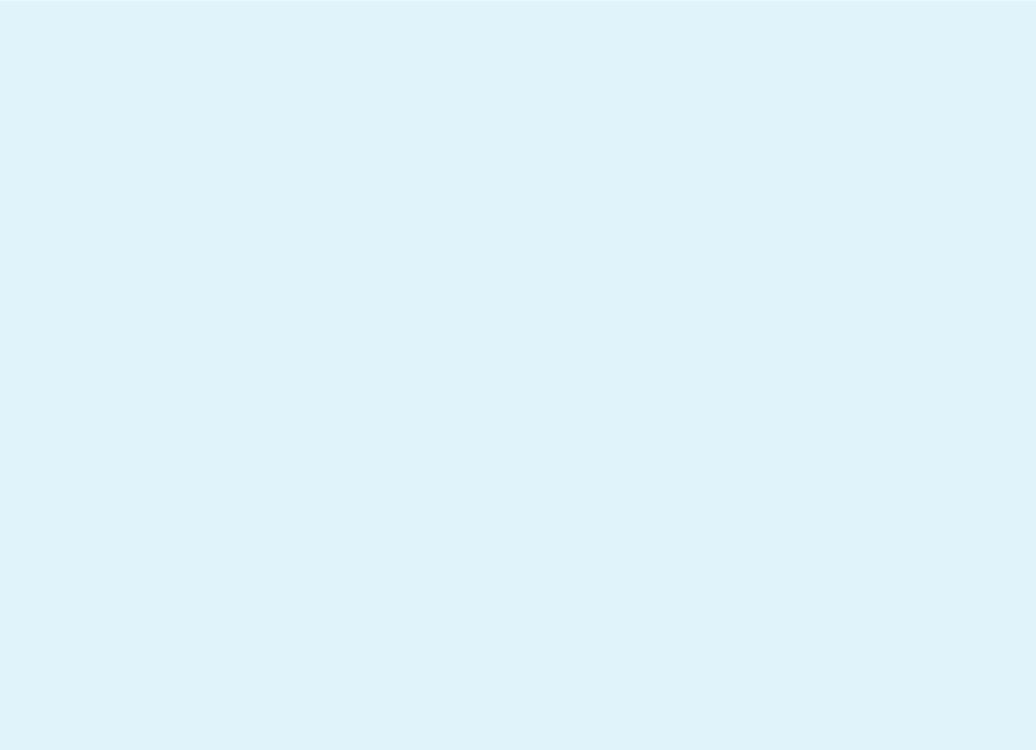
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# The perfect relationship

(disclosure document)

A how-to guide for the ideal  
investing relationship

Effective: May 2018



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## The perfect relationship (disclosure document)

We could start this guide off by telling you all the facts and other investment chatter you'd expect from a financial institution brochure. We could mention how hard we work every day to provide you, our valued customer, with the best advice and most suitable investment products. But what matters most is our commitment to you and your financial dreams. Think of us—ATB Securities Inc. (just call us ATBSI)—as your investment “significant other,” your financial companion that, like you, is invested in your future. And like in any good relationship, our goal is to grow together—to help us understand each other better, and help you become a better investor. The best way to achieve this is to get on the same financial page regarding your investment goals. This starts with good communication.

By reading this guide, you'll discover tips on how to stay in the loop on important details about your investments, helping us maintain the best relationship possible and allowing you to reach your financial goals faster.

**Keep us posted** on any changes to your personal information. When we first meet, we'll ask you to provide us with your full information. If, at any time afterward, you make any changes that could affect (in particular) your income, investment objectives, risk tolerance, net worth or our regulatory obligations, just let us know so we can ensure your information is always up to date.

**Stay informed** on all sales literature and other documents regarding your investments. We know this may seem tedious, but carefully reviewing all your sales, legal and other documents will help you fully understand your investments. Although our representatives are trained to supply the information needed for you to make your investment decision prior to the time of sale, we encourage you, where appropriate, to seek additional advice from other professionals such as lawyers or accountants as we cannot offer complex tax or legal advice. Don't worry...we're not the jealous type.

**Ask questions** and request information from the firm or its representatives to resolve any questions about your account or your relationship with us. Remember, all we want is for you to be happy. Please review your portfolio holdings and their performance regularly, and inquire about anything of interest or concern.

**Stay on top of your investments** by reviewing all the trading confirmations, account statements and performance and fee reporting you receive in the mail or through ATB Investor Connect. If there is any discrepancy or concern about any activity, holdings or account balances, contact your advisor or ATBSI compliance immediately.

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## Get to know us better.

ATBSI is a full-service retail brokerage and a member of the Investment Industry Regulatory Organization of Canada (IIROC), Canada's regulator of securities firms, and the Canadian Investor Protection Fund (CIPF). Our advisors follow a carefully measured approach with a long-term vision when providing you with recommended investment solutions. This means that after we take the time to really get to know you and your goals and dreams, we'll suggest an investment strategy that best meets your specific criteria.

Another thing you should know is that ATBSI does not administer your accounts on a discretionary basis. All trades and investment decisions in your account, even if recommended by your advisor, must be pre-approved by you. You make all the big decisions in this relationship—we just offer good advice and support along the way.

### **What we have to offer**

Our advisors provide service to everyone—from the young student just starting out with a small monthly RRSP contribution to high-net-worth clients nearing retirement. We're pleased to offer a variety of investment options, including but not limited to:

- Guaranteed investment certificates (GICs) and other money-market products, such as high-interest savings accounts (HISAs)
- Fixed income solutions, like government and corporate bonds
- Access to individual equities on the North American stock exchanges
- A wide range of mutual fund opportunities, including our proprietary Compass Portfolios and ATBIS Pools mutual funds

In providing these investment opportunities, we also have an assortment of account types in both Canadian and US dollar denominations, including:

- Registered retirement savings plans (RRSPs)
- Tax-free savings accounts (TFsas)
- Non-registered cash and margin accounts
- Registered education savings plans (RESPs)
- Registered retirement income funds (RRIFs)
- Locked-in retirement accounts (LIRAs)
- Registered disability savings plans (RDSPs)
- Group savings plans (i.e., employer contribution matching)

ATBSI can structure your account for automatic regular investments, automatic regular withdrawals or automatic reinvestment of distributions. ATBSI compliance regularly tests that our advisors are compliant through automated and manual daily, monthly and quarterly trade reviews and approvals administered and through a robust internal audit and client complaint process.

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Now let's get to know you.

### **An introduction**

To have a successful relationship with you, obtaining and maintaining correct Know Your Client (KYC) information is key. Only through an accurate understanding of your complete financial situation and current stage of life can we provide the best advice to safeguard your financial future and help you achieve your goals. As IIROC registrants, our advisors have a responsibility to ensure your investments are both "suitable" (in line with your stated risk tolerances and investment objectives) and "reasonable" (make sense based on your complete KYC information). To accomplish this, we'll need to collect information from you, including but not limited to:

- Verification of your identity
- Your financial circumstances including employment, annual salary, and all sources of income and net worth
- Whether you are an insider or controlling shareholder in a public company
- Whether you and your family or close associates are politically exposed persons or heads of an international organization
- Any jurisdiction for which you are a tax resident
- Your investment objectives
- Your risk-tolerance level
- Your anticipated time horizon for investment, and any imminent financial requirements
- Information about dependents and/or other obligations
- Your creditworthiness if requesting a margin account
- If opening a corporate account, the nature of the business and specifics of any holdings
- Identities of any individual(s) who own or control more than 25% of the corporation's shares

### **Are you a risk taker?**

We'd like to tell you there's no risk when you invest, but risks are inevitable. What we can guarantee is that we'll always treat you like the valued customer you are. And we'll help you choose the best type of investment for you.

Generally, investors willing to accept a high degree of risk see the greatest financial gains when the stock markets are strong and their investments are successful. However, a high degree

of uncertainty and risk also means that they can quickly lose some—or perhaps all—of their investment. On the opposite side of the spectrum, a low risk tolerance will generally produce a slower and more measured investment growth, where the investor can sleep with the ease of knowing they will not wake up one morning to find their life savings worth substantially less than the day before.

Being able to recognize your level of tolerance to risk and volatility is important and useful to our advisors and the compliance team that supervises them. The level of risk tolerance you indicate on your KYC form (or varying percentages of each level of risk you are willing to accept) will be used to ensure your portfolio is constructed to, and does not waiver from, the standard of risk you need in order to achieve your dreams and rest comfortably during market downturns.

Regardless of the investment decisions you and your ATBSI advisor ultimately make, your account will be monitored under the following guidelines to ensure a suitable and reasonable portfolio based on the KYC information you have provided.

### **What are low, medium and high risks?**

When reviewing accounts for suitability of holdings, ATBSI compliance refers to the prospectus or “Fund Facts” document for risk ratings of mutual funds, and risk determination of particular securities. Investments are otherwise reviewed on the following general principles:

**LOW RISK** – Guarding the principal investment against significant volatility is the primary goal. In normal market cycles, low risk investments will provide relative safety and minimal to moderate return. Sometimes larger losses can occur over a brief period of time during chaotic market circumstances—such as the US mortgage crisis of 2008—however, these occurrences don’t happen often and wouldn’t generally have a long-term impact on low risk investments. Examples: Investments comprised of primarily money market and investment-grade debt securities, with minimal to moderate exposure to equities.

**MEDIUM RISK** – A balance of capital growth and income are generally the main objectives of a medium risk portfolio. Investments in established companies and sectors are more likely to survive and flourish over time based on their proven record of revenues, profits and goodwill, despite being subject to market, financial, political, credit, regulatory, reputational and other risks. If you are willing to stay invested through bearish cycles and accept moderate (and at times drastic) downward pressure on market value, medium risk investments in a well-diversified portfolio provide comparatively better returns over time than a low risk portfolio. Examples: A diversified portfolio of dividend-paying blue-chip stocks; investment-grade corporate bonds rated “BBB” or higher; balanced mutual funds providing diversity, income and growth.

**HIGH RISK** – Above-market returns are the primary goal for a higher risk portfolio. The investor is accepting the potential for heavier losses in the hopes of seeing their investment value rise at a stronger pace, whether short-term or long-term. Typically, these are investments in junior companies (public or private) that may operate in an emerging sector of industry or part of the world, have no track record of earnings, and have unpredictable futures and minimal liquidity. Examples: Venture stocks; growth stocks that operate in risky geographic or political climates; “junk bonds” (i.e. corporate bonds with high yield but rating less than “B”); private placements; flow-through shares; and undiversified mutual funds geared for maximum capital growth.

**PLEASE NOTE:** The above examples represent the highest risk investments and are not generally considered part of the ATBSI value proposition.

We recognize that not every investor will fall squarely into one of these three primary categories. In fact many mutual funds will describe in the fund’s prospectus a suitability level of “low to medium” or “medium to high” tolerance for risk. If, after discussion with your advisor, you feel that your personal risk tolerance falls in between two of the three categories we’ve described above, no problem—there is the option to select an alternate risk level for your account.

### **Additional risks to consider when investing**

It is important to note that diversification plays a significant part in our assessment of overall risk. For example, whereas a blue chip, dividend-paying equity may be considered a “medium to high risk” investment based on the parameters above, if it was the sole holding in a client’s account, the account itself may still be considered “high risk” due to its concentration risk and potential volatility. Even blue chip companies are subject to competitive pressures and no individual company is guaranteed perpetual success. Therefore, a portfolio requires industry diversification to reduce the danger of a single security or sector experiencing a drop that would cause significant harm to a client’s account value. The attraction of a well-designed mutual fund is that it provides ready-made diversification, so unlike individual equities, it can be held as a single investment and still be in line with the stated risk tolerance.

We also want to remind you that in addition to the information we’ve provided above, all investments contain a number of specific risks. These include but are not limited to: inflation risk, interest rate risk, foreign exchange risk, political risk and geographical risk. For a detailed discussion of the risks involved in purchasing securities, please review the prospectus and offering documents thoroughly. For secondary market purchases that are traded prospectus-exempt, please discuss the risks with your advisor.

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## Some choices come with extra risk.

You may be willing to take risks, but our job is to ensure you know what goes along with that. Using borrowed money to finance the purchase of securities or any investment (also called 'leveraging') involves greater risk than using just cash resources. If you borrow money to purchase securities, your responsibility to repay the loan and interest, as required by its terms, remains the same even if the value of the securities purchased declines. Please ensure you discuss any decision to borrow money to finance new investments either through ATBSI or outside of our firm with your advisor. Your use of leverage and total debt outstanding is an important element of KYC that we need to be aware of to ensure you are being provided the best financial guidance possible.

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## We've got your back.

ATBSI will always review your accounts to assess the suitability and reasonability upon opening and whenever trades occur that exceed certain dollar-value thresholds in each type of security. Suitability reviews will also be triggered:

- Whenever new assets are transferred-in from an external source or purchased at ATBSI that appear on our Know Your Product (KYP) due diligence report (i.e. any unique structured product beyond basic Canadian mutual funds, bonds and North American equities)
- Whenever gross commissions on your account exceed \$500 in a single calendar month
- Whenever a new ATBSI advisor assumes your account
- Whenever your existing advisor becomes aware of a material change to your KYC information and submits an updated client account maintenance document
- Whenever a client account appears as part of a random sample for an internal advisor audit

**IMPORTANT NOTE:** Other than the situations outlined above, there is no guarantee that ATBSI will review an account after every major market fluctuation or political event (i.e. trust unit conversions; changes to registered retirement savings rules; etc). Therefore, it is important to work with your advisor and take an active role in the management and understanding of your account to ensure that it is being maintained at a level of growth and risk at which you are comfortable.

## **Conflict of interest: The part of the relationship we hope to avoid**

With every relationship comes the chance of being faced with conflict. We understand that—but that doesn't mean we're not going to do our best to prevent it. Our belief is that by being completely open and honest with you, we can avoid any relationship bumps and keep you happy.

## 1) Relationships with related or connected issuers

As part of ATB Wealth, ATBSI is a wholly owned subsidiary of ATB Financial and an affiliated company to ATB Investment Management Inc. (ATBIM) and ATB Insurance Advisors Inc. (ATBIA). These are all related parties.

ATBIM is the portfolio manager and the investment fund manager of the Compass Portfolios and ATBIS Pools mutual funds. ATBIM is responsible for day-to-day management and administration of the investment funds, including determining the strategic asset allocation and selecting (and monitoring the performance of) sub-advisors for each fund. ATBSI is the principal distributor of the investment funds managed by ATBIM.

ATBSI is a separate legal entity from ATB, ATBIM and ATBIA. Securities purchased from ATBSI are not insured by a government deposit insurer or by ATB unless otherwise stated in documentation provided.

## 2) Referral arrangements in the ATB family

ATBSI works with its “sisters” ATBIM and ATBIA, as well as private banking advisors with our “dad”, ATB Financial, to appear to you as one family: ATB Wealth. We also work closely with other areas of ATB Financial so that we can introduce the widest range of services to support your financial health. So we’ll offer you some of our parent corporation’s services and products that may meet your financial needs but aren’t specifically manufactured by ATBSI, including money-market products like GICs or HISAs. We may also refer certain clients to our private banking advisors and/or our lending experts in Retail Financial Services, Commercial Financial Services or Business & Agriculture.

In some instances—not all—ATBSI may receive a small one-time or ongoing referral compensation for selling ATB products or referring business; however that compensation is paid by our parent and not by you! You are entitled to ask your advisor about any compensation we may receive for sending you to our parent company for additional business services.

As your wealth grows, we may also refer you to our high net worth team at ATBIM. ATBSI advisors who refer clients to ATBIM for discretionary investment management services are paid a referral fee. The details of that arrangement and the manner in which the fees are calculated and paid are fully disclosed during ATBIM’s account opening process.

## 3) Referral arrangements (external)

a) **National Bank Independent Network (NBIN)** – While ATBSI is able to offer equity trading to our clients, we do not hold a seat on a North American stock exchange and instead, execute individual equity trades through NBIN. As a result, your equity orders may be subject to

delays not otherwise experienced by IIROC members that have direct access to the equity markets. While ATBSI makes every effort to ensure swift and accurate execution of your equity orders, the final assurance that your order is entered and traded in compliance with the *Universal Market Integrity Rules* (UMIR) is the responsibility of NBIN.

- b) **Aviso Wealth (Aviso)** – ATBSI advisors do not encourage active equity trading, as it does not accord with our investment philosophy. Client accounts that are seen to display a tendency towards individual equities and/or frequent unsolicited trades may be referred elsewhere to help ensure those clients benefit from lower transaction costs and faster executions. ATBSI has entered into an agreement with Aviso, under which advisors may refer clients who are interested in online brokerage services to Aviso. Aviso pays ATBSI a referral fee of up to 7% of the net commission generated by each ATB customer who executes transactions through Aviso. **PLEASE NOTE:** While ATBSI has a referral agreement with Aviso, this does not mean that trades executed by ATBSI in your account will receive Aviso commission rates. Trades solicited by, accepted by, advised upon and executed by ATBSI (via NBIN) are subject to our standard equity trading commission of 2% or as negotiated with your advisor.

#### 4) Personal & account conflicts

**Outside business activities** – ATBSI advisors, advisor assistants, officers and directors may at any time be engaged in business activities related or unrelated to their employment, obligations and duties as an IIROC registrant. ATBSI compliance will approve these external activities based upon an assessment of the potential regulatory and/or reputational risk, as well as to ensure they don't take too much time away from our primary goal of providing quality service to our clients. Once approved, these activities are filed with the National Registration Database (NRD) and monitored for the potential of ongoing conflict. In some cases, our registrants are required to sign an affirmation that they will not use their outside business activity to solicit new business. You are entitled to inquire as to whether your advisor has any individually reportable outside business activities.

**A note about certified financial planners:** While we are proud that many of our advisors hold the distinguished title of certified financial planner (CFP), and you can certainly benefit from the business acumen and financial expertise they bring to the table, it is important you understand that our CFP designates operate under the same structure and relationship as non-CFP advisors, providing services that include the establishment of your investment accounts, retirement and financial goal counseling, investment projections, product recommendations and referrals to outside experts for other products and services as appropriate. Your

relationship with your ATBSI advisor, CFP or non-CFP does NOT constitute a formal or contractual financial planning engagement.

**Advisor personal holdings** – ATBSI advisors are required to inform their clients if they are making a recommendation on a market-traded security that they own personally. If this information is not offered, clients are within their rights to inquire as to whether their advisor owns or intends to sell/purchase the security in question. Furthermore, ATBSI will inform its clients on the trading confirmation slip in situations where such information is known to the firm or advisor, regardless of whether the security they purchased or sold had an ATBSI employee on the opposite side of the trade.

**Guarantee/Guarantor accounts** – ATBSI has an obligation to supervise our accounts based on the KYC information provided by the account's beneficial owner. You should know that if you are a guarantor on any other account, the suitability of transactions within that account will not be reviewed in relation to your risk tolerance or investment objectives, but rather those of the client you're guaranteeing.

**Proprietary investment products** – While our financial advisors do not receive incentive compensation to recommend the Compass Portfolios and ATBIS Pools managed by ATBIM over and above third-party alternatives, please be aware that advisors that participate in a program that mirrors a financial interest (ownership) in ATBSI, ATBIM and ATBIA (collectively) may benefit indirectly from growth in our internally managed funds.

## 5) Future potential conflicts

In the event that ATBSI, directly or as part of ATB Financial or ATB Wealth, enters into future business relationships or referral arrangements that may be perceived to compromise the independence of our client service or supervision of accounts, clients will be advised of the specifics of the potential conflict via email and/or special insert into their regular monthly or quarterly statement mail-out.

Our advisors have a duty to advise ATBSI compliance of any new conflict of interest as soon as it is discovered, and further advise you about any known and related conflicts (e.g. if they have been accumulating a position in a stock you wish to purchase; if they have a relationship with a particular issuer's Board; etc.) prior to any transaction in which you engage.

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## Will this relationship cost you?

We've all been there. You find your perfect match, but discover it comes at a cost. Take a breath and put your wallet away. We're not after your money—not that way at least. At ATBSI, we are committed to providing you with outstanding value at a reasonable cost. Our pricing philosophy incorporates no front load commissions or redemption fees, below average management expenses and low self-directed registered plan and other account maintenance fees.

Please note that specific administrative fees charged against your account do not go to your advisor. These fees go directly to the firm and are applied against the costs of maintaining and servicing your account—from trustees to technology, compliance supervision to paper and postage. Instead your investment professional is compensated based on a percentage of the revenue derived from assets under their management, as well as from any commissions associated with buying or selling an equity or investment. Unlike a lawyer or accountant who would generally charge you based directly on the hours spent on your folio, your advisor is able to tailor their relationship with you to ensure a mutual understanding and satisfaction of your financial goals, regardless of the time it takes to get there.

For a full disclosure of our current fee structure, including all the costs you will pay in making, holding and selling investments, please refer to our pricing brochure (included in your client welcome package) or your annual charges and compensation statement (sent out in January). With respect to any transactions you make on your account, your advisor is obligated to provide you with pre-trade disclosure at the time he or she accepts the order as to the approximate total cost of the initial transaction and cost over time.

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## Performance benchmarks and how to use them

You may assess the performance of your investments by comparing them to an investment performance benchmark, a tool which shows the performance over time of a select group of securities. There are many different benchmarks, so when choosing a benchmark pick one that best reflects your investments. For example, the S&P/ TSX Composite Index follows the share prices of the largest companies listed on the Toronto Stock Exchange. This index would be a reasonable benchmark for assessing the performance of a Canadian equity fund that invests only in large Canadian companies. It would be a poor benchmark if your investments are diversified in other products, sectors or geographic areas.

At present ATBSI. does not provide benchmark comparisons in our account reporting. Please speak to your advisor if you have questions about the performance of your portfolio or what benchmark(s) might be appropriate for you.

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## Are you mad at me? Let's talk about it.

Because we truly care about your financial happiness and goals, ATBSI really hopes you'll never get upset over anything we do. Still, we have a comprehensive complaint resolution process designed to ensure that any disputes that arise between our clients and our advisors or firm are investigated thoroughly and objectively, and addressed in a timely manner. Your client welcome package contains all the information you will need to bring your concerns to our attention and escalate them if necessary. Please refer to ATB Wealth's *Summary of client complaint process* brochure, available through your advisor or online at ATB.com.