



## PROPOSED INDUSTRY ASSET CLASSIFICATION SCHEMA

**Background:** In 2012, the IIAC's Securities Classification Working Group began work on improving securities classification due to known inconsistencies that could lead to client service issues. One estimate was that up to 10% of securities may be improperly classified. The resulting schematic, reflecting many hours of work and discussion, was then reviewed by the IIAC Private Client Committee. The next step was to seek general agreement that the standard asset classification schematic was a useful industry tool to enhance consistency among reporting to clients and others by financial institutions. The Scheme was circulated for comment on February 12, 2013 and there was general agreement that this schema should be further publicized and periodically updated.

**Note:** It is assumed that independent financial services organizations will introduce additional attributes as levels below the indicated sub-type at their discretion (this would include geographical references such as domestic vs. foreign assets, etc.).

Type	Security Sub-Type	Notes
<b>Cash and Equivalents</b>	Cash	Cash balances (regardless of currency).
	Cashable Guaranteed Investment Certificates	Only liquid GICs (redeemable) are to be included as a cash equivalent.
	High-Interest Savings Accounts (HISAs)	It is assumed that all HISAs provide timely liquidity (full or partial).
	Money Market Funds	Includes money market exchange-traded funds (ETFs) and money market closed-end funds.
	Short-Term Notes	Includes all term notes, bonds or paper where term to maturity from issue date is < 1 year. This includes but is not limited to: <ul style="list-style-type: none"> <li>• Asset-Backed Commercial Paper (ABCP)</li> <li>• Bankers' Acceptances</li> <li>• Certificates of Deposit (CDs)</li> <li>• Commercial Paper (CP)</li> <li>• Treasury Bills (T-bills)</li> <li>• Savings Bonds.</li> </ul>
	Other Cash and Cash Equivalent Products	Temporary placeholder for brand new products that behave like this sub-type but have not yet been mapped to a discreet classification. Control reports can be run regularly to monitor securities that are landing in the 'other' sub-type so that they can be analyzed and a proper home can be found.
<b>Fixed Income</b>	Corporate Bonds	Includes corporate bonds/debentures as well as high-yield bonds and capital trust securities where the term to maturity from issue date $\geq$ 1 year.
	Government Bonds	Includes bonds issued from any form of government including but not limited to the following where term to maturity from issue date > 1 year: <ul style="list-style-type: none"> <li>• Federal Bonds</li> </ul>

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		<ul style="list-style-type: none"> <li>• Provincial Bonds</li> <li>• Municipal Bonds</li> <li>• State Bonds</li> <li>• Savings Bonds.</li> </ul>
	Convertible Bonds	While at times treated as equity given they may be converted to equity, these securities should remain a unique asset class under Fixed Income until and if such a time as conversion is exercised. At the time of exercise, the holding will appear under the sub-type of the security the debenture was converted into.
	Fixed-Income Funds	Includes fixed income focused: <ul style="list-style-type: none"> <li>• Mutual Funds</li> <li>• Investment Funds</li> <li>• Exchange-Traded Funds (ETFs)</li> <li>• Closed-End Funds</li> <li>• Pooled Funds</li> <li>• Common Trust Funds</li> <li>• Index-Replicating Vehicles (IRVs).</li> </ul>
	Asset-Backed Securities	Includes mortgage-backed securities (MBSs) and any other product that attracts a pool factor stemming from an iterative and ongoing return of principal.
	Non-Cashable Guaranteed Investment Certificates (GICs)	Any liquid (redeemable) GICs will appear under cash equivalents, and all non-liquid GICs are aligned in this sub-type under Fixed Income.
	Strips, Coupons and Residuals	Any interest portion or non-principal-based portion of a bond that can be and is segregated from the initially offered bond product and sold separately.
	Other Fixed-Income Products	Temporary placeholder for brand new products that behave like this sub-type but have not yet been mapped to a discreet classification. Control reports can be run regularly to monitor securities that are landing in the 'other' sub-type so that they can be analyzed and a proper home can be found.
<b>Preferred Shares</b>	Preferred Shares	Company stock with dividends that are paid to shareholders before common stock dividends are paid out. In the event of a company bankruptcy, preferred stock shareholders have a right to be paid company assets first. Preference shares typically pay a fixed dividend, whereas common stocks do not. And unlike common shareholders, preference share shareholders usually do not have voting rights.
	Convertible Preferred Shares	A preferred share with a convertible feature should remain a preferred share sub-type until (and if) such a time as conversion is exercised, at which point the resulting holding will appear under the proper sub-type for the security now held after conversion.
<b>Equity</b>	Common Shares	Industry standard common stock where the unit represents a percent ownership in a corporation.
	Equity Funds	Includes: <ul style="list-style-type: none"> <li>• Equity Mutual Funds</li> <li>• Equity ETFs</li> <li>• Equity Closed-End Funds</li> <li>• Equity Index-Replicating Vehicles (IRVs).</li> </ul>

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Equity	Rights	A certificate that permits the owner to purchase a certain number of shares, or, frequently, a fractional share of new stock from the issuer at a specific price.
	Warrants	A derivative security that gives the holder the right to purchase securities (usually equity) from the issuer at a specific price within a certain time-frame.
	Units	Represents products sold as a 'unit', which includes bundled stock and warrants, etc.
	Trust Units	All units structured under a trust deed but excluding real estate investment trusts (REITs) as they are reported under a unique sub-type.
	Limited Partnership Units (LPUs)	An ownership unit in a publicly traded limited partnership, or master limited partnership (MLP) that provides the unitholder with a stake in the income generated by the partnership company.
	Instalment Receipt	An equity issuance in which the purchaser does not pay the full value of the issue upfront. In the purchase of an instalment receipt, an initial payment is made to the issuer at the time the issue closes; the remaining balance must be paid in instalments. Although the purchaser has not paid the full value of the issue, he or she is still entitled to full voting rights and dividends.
	Subscription Receipt	Shares carrying the right (but not the obligation) to be exchanged for common stock of a firm at a predetermined price and within a specified period, while simultaneously carrying the right to a dividend prior to the exchange.
	Real Estate Investment Trust (REIT)	Investment vehicle similar to a mutual fund (unit trust). REITs use the pooled capital of several investors to make mortgage loans to builders or developers, or to directly invest in income-producing property that offers tax benefits in addition to interest and capital gains.
	Flow-Through Shares	A flow-through share is a type of common share which allows a "principal-business corporation" to transfer the tax deductions to investors, who can apply them against their personal or corporate income tax.
	Private Shares	Non-publically traded shares that may or may not have a secondary market. Includes private placements, private equity funds, and Canadian-controlled private corporations (CCPCs)/Qualified Small Business Corporations (QSBCs).
Other Equities	Temporary placeholder for brand new products that behave like this sub-type but have not yet been mapped to a discreet classification. Control reports can be run regularly to monitor securities that are landing in the 'other' sub-type so that they can be analyzed and a proper home can be found.	

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<b>Balanced Mandates</b>	Balanced Funds	To avoid any mismanaged expectations for the unitholder, if a fund mandate is balanced, that is, the fund may contain a moving target allocation split across multiple sub-types (e.g., between Equity and Fixed Income) then it is best to single such holdings out through a discrete sub-type so that the end client is well aware that the holding may move between various types at any point in time.
<b>Alternative Investments</b>	Physical Commodities	Direct ownership in a commodity (e.g., gold, silver, other precious metals, rare earth metals, etc.).
	Segregated Funds	A type of pooled investment that is similar to a mutual fund, but is considered an insurance product. Proceeds received by the insurance company are used to purchase underlying assets that may cross sub-types, and then shares of the segregated funds are sold to investors. Segregated funds may guarantee a specific return over the life of the investment or upon maturity of the fund.
	Leveraged Investments	Investments that rely principally on leverage. That includes split capital shares, leveraged ETFs and Inverse ETFs.
	Derivatives	A financial instrument whose value is based on one or more underlying assets. In practice, it is a contract between two parties that specifies conditions (especially the dates, resulting values of the underlying variables, and notional amounts) under which payments are to be made between the parties. The most common types of derivatives are: <ul style="list-style-type: none"> <li>• Forwards</li> <li>• Futures</li> <li>• Options</li> <li>• Swaps.</li> </ul>
	Hedge Funds	A typically aggressively-managed portfolio of investments that uses advanced investment strategies such as leveraged, long, short and derivative positions in both domestic and international markets with the goal of generating high returns (either in an absolute sense or over a specified market benchmark).
	Structured Products	Following the broad definition used by regulators such as the SEC, NASD, and NYSE that define a “structured product” as a security derived from or based on another security (including a bond), basket of securities, index, commodity, or foreign currency. Common examples include: Exchange-Traded Notes (ETNs) Principal at Risk Notes (PRNs) Principal-Protected Notes (PPNs).
	Other Alternative Investments	Temporary placeholder for brand new products that behave like this sub-type but have not yet been mapped to a discreet classification. Control reports can be run regularly to monitor securities that are landing in the 'other' sub-type so that they can be analyzed and a proper home can be found.