

## PMAC Guide to Collecting and Maintaining KYC Information

### ***NOTICE***

*This document is intended only to provide general guidance to Portfolio Management Association of Canada (PMAC) members and is not intended to be and should not be construed or relied upon as legal, compliance or other professional advice. Neither PMAC nor Fasken Martineau DuMoulin LLP assume any liability by providing this guide to its members or any other person or entity. The information provided in this guideline may or may not apply in any particular situation and members should carefully tailor their Know Your Client (KYC) practices to reflect their clients and business models. While the practices set out in this document are intended to present acceptable practices that can be used to comply with regulatory requirements, they are not the only acceptable practices. Users should carefully review the guidance included here to determine applicability.*

### **Purpose, Background & Scope**

This guide is intended to assist members of PMAC with fulfilling their requirement in securities laws to know your client (**KYC**) as it relates to the relationship between portfolio managers and private clients.<sup>1</sup> This guide provides guidance on the processes to consider implementing to gather, evaluate, retain and update KYC information for this specific client group. The practices suggested in this guide reflect PMAC's understanding of the current expectations of the Canadian Securities Administrators (**CSA**). These expectations will continue to be clarified as the various members of the CSA conduct reviews of industry practices and publish additional guidance.

It is critical to note that the KYC process should ultimately be driven by each firm's business model, size, scale, products and client type, amongst other considerations. The CSA indicate that, while there are prescribed factors that must be taken into consideration to collect sufficient KYC information, the depth of such enquiries will vary by client, firm and business. KYC requirements are intended to be scalable, and firms should document their rationale and application of their professional judgement in formulating their particular approach to KYC in their policies & procedures.

This guide focuses on KYC requirements under Canadian securities laws such as National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**)<sup>2</sup> (including the recent amendments to NI 31-103 referred to as the Client Focused Reforms (**CFRs**)) and its Companion Policy (**31-103CP**). This guide does not address additional client identification requirements under other laws such as:

---

<sup>1</sup> For the purposes of this guide, "private clients" refers to clients who have entered into an agreement with a portfolio manager to obtain investment advice from the portfolio manager, whether or not the client's account is managed on a discretionary basis by the portfolio manager. Generally, private clients have more a significant financial portfolio than an average retail client.

<sup>2</sup> Available at [31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and Companion Policy to NI 31-103.](#)

- Anti-money laundering (AML) and anti-terrorist financing (ATF) regulations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*<sup>3</sup>
- *Foreign Account Tax Compliance Act (FATCA)*, the *Common Reporting Standard (CRS)* and other tax regulations
- Applicable privacy legislation
- *Corruption of Foreign Public Officials Act*
- *Special Economic Measures Act*

## Appendices

Further information and sample documentation are provided in the following appendices to this guide:

|            |  |
|------------|--|
| Appendix A | Guide to Collecting KYC Information              |
| Appendix B | Considerations in developing a KYC Questionnaire |
| Appendix C | Unacceptable KYC Practices                       |
| Appendix D | Permitted Client Suitability Waiver              |

---

<sup>3</sup> Please refer to [PMAC Guide to Compliance with Anti-Money Laundering & Anti-Terrorist Financing Requirements](#).

## Overview: KYC, KYP and Suitability Requirements

NI 31-103 establishes three inter-related obligations on portfolio managers: KYC, know-your-product (**KYP**) and suitable advice. As a practical matter, portfolio managers must consider these obligations jointly and meet all three requirements in order to ensure that advice to clients in accordance with Canadian securities legislation.

### KYC

NI 31-103 requires registrants, including portfolio managers, to take reasonable steps to establish the identity of, and conduct due diligence on, their clients.<sup>4</sup> Portfolio managers must have sufficient information about their clients to enable them to give suitable advice to, and make suitable decisions for, their clients. Portfolio managers also must take steps to keep this information current. KYC is an ongoing process that does not end after the initial client assessment.

Additionally, recent amendments to NI 31-103 expand the KYC requirements with a view to protecting senior and/or vulnerable clients through the use of trusted contact persons (**TCPs**).

KYC for permitted clients may differ and these clients are permitted to waive KYC and suitability obligations in certain circumstances.<sup>5</sup>

### KYP

As a result of the CFRs, NI 31-103 now includes an express KYP requirement<sup>6</sup> that a portfolio manager must not make securities available to its clients unless the firm has taken reasonable steps to understand, assess, approve and monitor such securities, including monitoring for significant changes on an ongoing basis. The assumption is that a portfolio manager cannot ensure it is meeting its suitability requirement if it does not adequately diligence the securities it is recommending to clients. For this reason, each portfolio manager should confirm and document its policies & procedures around KYP, and coordinate its KYP with its suitability analyses so that changes to securities arising from ongoing KYP are taken into account. This guide does not cover the topic of policies & procedures for KYP.

### Suitability

Under the suitability obligation,<sup>7</sup> before a registrant, including a portfolio manager:

- opens an account for a client,

---

<sup>4</sup> NI 31-103, section 13.2.

<sup>5</sup> See Appendix D to this guide.

<sup>6</sup> NI 31-103, section 13.2.1.

<sup>7</sup> NI 31-103, section 13.3.

- purchases, sells, deposits or exchanges or transfers securities for a client's account, or takes any other investment action for a client, or
- makes a recommendation or exercises discretion to take any such action,

the firm must determine that the action is suitable for the client. Performing adequate KYC and KYP are the precursors to being able to give suitable advice to clients. This guide does not cover the topic of policies & procedures for suitability.

### **KYC Guidance**

A KYC program begins with the development of policies & procedures, checklists and tools for documentation. Adequate policies & procedures that reflect regulatory expectations and address business risk set the framework for a sound KYC program. Developing checklists and establishing documentation standards provide tools for portfolio managers to meet the requirements set out in the firm's policies & procedures. In addition, firms have an obligation to train individual registrants on conducting meaningful discussions with potential and existing clients in a consistent manner. Adequate training is more likely to result in registrants gathering KYC information that is not only compliant but of a higher quality. More detailed guidance around the collection of KYC information is provided in Appendix A: Guide to Collecting KYC Information.

In addition to having processes to review, confirm and maintain KYC information, KYC information also must be updated:

- each time the portfolio manager becomes aware of a significant change to a client's KYC information,
- for managed accounts, at least every 12 months, and
- for accounts that are not managed accounts, at least every 36 months,

whichever occurs first<sup>8</sup>. Each firm also needs to perform oversight to confirm that its policies & procedures are working as intended.

An Investment Policy Statement (**IPS**), which records the general investment goals and objectives of a client and describes the strategies that the portfolio manager may employ to meet these objectives, is part of the KYC process. It typically addresses matters such as the client's investment horizon and risk profile, but may not include other critical components of KYC. The IPS should be updated at times when the KYC is being refreshed.

---

<sup>8</sup> These are the minimum requirements prescribed in sections 13.2(4) and 13.2(4.1) of NI 31-103.

1. Securities law requirements

The securities law requirements for KYC as of December 31, 2021 are set out below. They include the new features introduced by the CFRs as well as recent amendments for TCPs. These recent changes are highlighted by italics to assist firms with identifying the new requirements to be addressed in their policies & procedures. The CSA’s guidance<sup>9</sup> on these new requirements also is included.

**NI 31-103 Section 13.2 – Know Your Client**

(1) For the purpose of paragraph 2(b) in Ontario, Nova Scotia and New Brunswick, “insider” has the meaning ascribed to that term in the relevant securities act except that “reporting issuer”, as it appears in the definition of “insider”, is to be read as “reporting issuer or any other issuer whose securities are publicly traded”

(2) A registrant must take reasonable steps to:

- (a) Establish the identity of a client and, if there is cause for concern, make reasonable inquiries as to the reputation of the client
- (b) Establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded
- (c) Ensure that it has sufficient information regarding all of the following to enable it to meet its suitability determination obligation [or if applicable, the suitability requirement imposed by an SRO]:
  - (i) *The client’s personal circumstances*
  - (ii) The client’s financial circumstances
  - (iii) The client’s investment needs and objectives
  - (iv) *The client’s investment knowledge*
  - (v) *The client’s risk profile*
  - (vi) *The client’s investment time horizon*
- (d) Establish the creditworthiness of the client if the registered firm is financing the client’s acquisition of a security

---

<sup>9</sup> This CSA guidance is taken from 31-103CP and its Frequently Asked Questions published on December 17, 2021 available at [CFRsFAQsDecember2021EN.pdf \(securities-administrators.ca\)](https://www.securities-administrators.ca/CFRsFAQsDecember2021EN.pdf).

(3) For the purpose of establishing the identity of a client that is a corporation, partnership or trust, the registrant must establish the following:

- (a) the nature of the client's business;
- (b) the identity of any individual who,
  - (i) in the case of a corporation, is a beneficial owner of, or exercises direct or indirect control or direction over, more than 25% of the voting rights attached to the outstanding voting securities of the corporation, or
  - (ii) in the case of a partnership or trust, exercises control over the affairs of the partnership or trust.

*(3.1) Within a reasonable time after receiving the information, a registrant must take reasonable steps to have a client confirm the accuracy of the information collected under subsection (2).*

(4) A registrant must take reasonable steps to keep *current* the information required under this section, *including updating the information within a reasonable time after the registrant becomes aware of a significant change in the client's information required under this section.*

*(4.1) A registrant must review the information collected under paragraph (2)(c)*

- (a) *for managed accounts, no less frequently than once every 12 months,*
- (b) *if the registrant is an exempt market dealer, within 12 months before making a trade for, or recommending a trade to, the client, and*
- (c) *in any other case, no less frequently than once every 36 months.*

(5) This section does not apply if the client is a registered firm, a Canadian financial institution or a Schedule III bank.

(6) Paragraph (2)(b) does not apply to a registrant in respect of a client for which the registrant only trades securities referred to in paragraphs 7.1(2)(b) and (2)(c).

*(7) Paragraph (2)(c) and subsection (4.1) do not apply to a registered dealer in respect of a client if the registered dealer purchases or sells securities for the client only as directed by a registered adviser acting for the client.*

***NI 31-103 13.2.01 Know Your Client – trusted contact person<sup>10</sup>***

*(1) Concurrently with taking the reasonable steps required under subsection 13.2(2), a registrant must take reasonable steps to obtain from the client the name and contact information of a trusted contact person, and the written consent of the client for the registrant to contact the trusted contact person to confirm or make inquiries about any of the following:*

- (a) the registrant’s concerns about possible financial exploitation of the client;*
- (b) the registrant’s concerns about the client’s mental capacity as it relates to the ability of the client to make decisions involving financial matters;*
- (c) the name and contact information of a legal representative of the client, if any;*
- (d) the client’s contact information.*

*(2) A registrant must take reasonable steps to keep current the information required under this section, including updating that information within a reasonable time after the registrant becomes aware of a significant change in the client’s information required under subparagraph 13.2(2)(c)(i).*

*(3) This section does not apply to a registrant in respect of a client that is not an individual.*

**2. KYC Policies & Procedures**

Each portfolio manager should establish policies & procedures regarding each of the following elements of KYC:

- ✓ Collecting KYC information (i.e., at account opening and thereafter), including recording the date on which the KYC information is collected.
- ✓ Documenting KYC information (i.e., checklists, KYC forms and/or questionnaires, as applicable).<sup>11</sup>
- ✓ Reviewing and maintaining KYC information (ensuring information is reviewed at least as frequently as required under Section 13.2(4.1); ensuring the client’s IPS is up to date), including recording the date on which KYC is updated. Firms should review and refresh KYC information on record after having a meaningful and documented interaction with the client and periodically proactively confirm with the client that the KYC information on file is current. This can be confirmed by obtaining the client’s signature (in any format) or

---

<sup>10</sup> Note that a “trusted contact person” is defined in NI 31-103 as “an individual identified by a client to a registrant whom the registrant may contact in accordance with the client’s written consent”.

<sup>11</sup> Please note that there is a related obligation in section 11.5 of NI 31-103 to maintain adequate books and records that evidence each client’s confirmation of the accuracy of their KYC information.

by maintaining notes in the client file, detailing client instructions for updates. It should be verified by providing written confirmation to the client with the details of instructions for a change and providing the client with an opportunity to correct any information. Consider additional controls (such as a client signature) to evidence changes in information such as client name, address, and banking information, since these can have an increased potential for fraud.

- ✓ Tailor your KYC process to reflect the firm’s business model, including the nature of the firm’s relationship with clients and the services and securities offered to clients. While firms must collect the prescribed KYC information, the depth of the inquiry will vary. For example, a portfolio management firm with discretionary authority for a client with relatively complex financial circumstances will trigger a more extensive degree of KYC collection than firms offering model portfolios to clients with relatively simple financial circumstances.

### 3. KYC Training and Having Meaningful Discussions with Clients

Each portfolio manager’s policies & procedures should include the features described below regarding training of its personnel and discussions with its clients. Please also see [PMAC Guidelines on Preparing a Senior/Vulnerable Client Policy](#).

- ✓ Provide training to portfolio managers to ensure they understand the importance of collecting fulsome, accurate and up-to-date KYC information.
- ✓ Ensure that only registered individuals are performing KYC collection and that KYC duties are not being delegated to unregistered individuals.
- ✓ Provide regular training to portfolio managers on the firm’s policies and procedures regarding senior and/or vulnerable clients, including explaining the reasons for and importance of obtaining TCP information; identifying red flags associated with diminished/diminishing capacity and/or financial abuse; and escalation of any concerns about potential abuse or diminished/diminishing capacity within the firm.
- ✓ Document the provision, content and frequency of training.
- ✓ Engage in meaningful interaction with the client – regardless of tools or technology - to fully understand the client and their circumstances, and to explain the investment philosophy, strategies and services of the firm; the initial meeting should include a fulsome discussion of the client’s circumstances and investments objectives; outline plans for communication (i.e. client should understand how frequently and by what method(s) they should expect contact by their portfolio manager and under what circumstances; and conversely, the client should understand when they should initiate contact with the portfolio manager). Discussions with clients may take place over a number of sessions.

- ✓ Review, verify, and validate the information that the client provides and identify areas of potential omission or where conflicting KYC information has been collected; a secondary review by a peer or supervisor may be considered.
- ✓ Make clients aware that any significant changes in their financial and/or personal information can affect the suitability of their investment portfolio and should be communicated to their adviser as soon as they occur so that their portfolio is managed according to the client's changed circumstances.
- ✓ Gather information to assess the client's risk profile (which differs from the previous assessment which involved risk tolerance).<sup>12</sup>

#### 4. Documenting, Maintaining and Updating KYC Information

Each portfolio manager's policies & procedures should include the following features regarding documenting, maintaining and updating the KYC information of its clients:

- ✓ All discussions with the client should be documented and dated, and evidence should be maintained for the firm's books and records.
- ✓ Collect relevant information from the client to establish their identity. Maintain a record of the identifying information.<sup>13</sup>
- ✓ Completion of all KYC forms should accord with the information gathered and documented during discussion(s) that the portfolio manager has with the client.
- ✓ Confirm the accuracy of the information with the client. Ensure that KYC forms and/or questionnaires are signed and dated by both the client and portfolio manager to indicate agreement with the information recorded. The client should receive a signed copy of the KYC form for their records.
- ✓ Ensure that KYC forms and/or questionnaires, if used, are client-friendly, that terms are clearly defined and easy to understand, risks are explained, and that sufficient KYC information is collected.<sup>14</sup>

---

<sup>12</sup> For more information, see Appendix C: Considerations in Developing a KYC Questionnaire.

<sup>13</sup> See Appendix A: Guide to Collecting KYC Information.

<sup>14</sup> See Appendix B: Considerations in Developing a KYC Questionnaire.

- ✓ If applicable, KYC forms and/or questionnaires should have sufficient information about the client to allow the portfolio manager to determine if the client meets the conditions of prospectus exemptions as specified in NI 45-106 *Prospectus Exemptions*.<sup>15</sup>
- ✓ Make reasonable enquiries to determine if there has been a significant change to the client's KYC information, including to their risk profile, time horizon or investment needs and objectives. Where there has been a significant change and the KYC information is no longer sufficient to allow the firm to meet its suitability obligations, consider restricting activities in the client's account to liquidating trades, transfers or disbursements.
- ✓ Document all attempts made to review and refresh KYC information.
- ✓ Ensure KYC is current and updated to reflect any "trigger events" (i.e., marriage, divorce, birth of a child, inheritance, loss of or change in employment, etc.) so that the investment strategy determined by the portfolio manager remains suitable for the client. If there is a material change in a client's circumstances or investment needs or objectives, the KYC and IPS must be updated immediately.
- ✓ Both the client and portfolio manager should sign and date any changes or updates to KYC information, whether done as addendums to the original information, or as "fresh" KYC information. Firms are not expected to re-collect all the KYC information, though there may be circumstances where a more fulsome review or re-collection may be required. Documenting confirmation that there are no changes, if applicable, should also be included.
- ✓ Undertake reasonable efforts to determine underlying reasons or causes when changes in a client's financial behaviour become apparent; document actions taken and findings.
- ✓ Inform clients verbally and in writing (at account opening and remind periodically thereafter) of the importance of the client notifying the portfolio manager on a timely basis when there is a change in their circumstances that may impact the investment strategy.
- ✓ Determine whether any significant market changes necessitate contacting the client.
- ✓ Store KYC documentation in a secure and confidential format that is readily retrievable and/or searchable (with controls consistent with privacy law requirements); where applicable, add procedures to document electronic and phone communications with the client in the firm's client relationship management system.
- ✓ Establish procedures and processes for storing documentation and information supplementary to completion of forms and questionnaires, such as TCP information, the

---

<sup>15</sup> Where the client is an individual, the documentation should identify the specific basis on which the client qualifies as an accredited investor or eligible investor under the definitions in NI 45-106, including whether the client satisfies the minimum net income or net worth tests in those definitions.

client's applicable legal documents (copies of the client's will if one is provided, Powers of Attorney, information on executors, etc.), to both preserve that information and ensure it is in a format that is readily reviewable with the client at annual (or more frequent) meetings.

- ✓ Ensure business continuity plans and/or disaster recovery plans address electronic document backup and recovery of KYC information, and/or appropriate security protection in the case of paper-only records.<sup>16</sup>

## 5. Using an IPS

An IPS is a helpful document for capturing certain information specific to how a client's assets will be invested. However, it typically does not capture all necessary KYC information and therefore should be used in conjunction with the firm's KYC documents. Below are recommendations when using an IPS.<sup>17</sup>

- ✓ Develop an IPS with the client that reflects the client's investment needs and objectives and the agreed upon investment strategy. Note that one IPS may not be valid for all of the client's accounts, and multiple IPSs may be required.
- ✓ Set out agreed-upon investment goals in the IPS, in terms that are specific and measurable. Consider setting out investment return assumptions that would be required to meet the client's investments needs and objectives. Firms should also periodically update the client on progress towards those goals.
- ✓ The client should sign their completed IPS to confirm that it is understood, complete and accurate and receive a copy.
- ✓ The IPS should be reviewed following every client interaction to ensure it continues to be appropriate.
- ✓ The client should approve any changes to the IPS by signing an updated version or indicating that the existing version remains in effect.
- ✓ If the portfolio manager becomes aware that there is a material change in a client's circumstances or investment needs or objectives, the IPS should be updated immediately.

---

<sup>16</sup> See also PMAC Guideline on Preparing a Business Continuity Plan (BCP).

<sup>17</sup> PMAC Members also may wish to refer to the sample PMAC Investment Policy Statement.

## 6. KYC Supervision and Oversight

Each portfolio manager's policies & procedures should include the following features regarding supervision and oversight of its KYC procedures:

- ✓ Establish procedures for supervision of the KYC process, including IPS development, to ensure that the standards reflected in the firm's policies are met; and establish procedures for escalation of issues and addressing deficiencies.
- ✓ Establish review mechanisms to ensure that portfolio managers are appropriately supervised in the collection and recording of KYC information; an appropriate review mechanism may include sign-off by a compliance supervisor.
- ✓ Document or summarize any action items arising from interactions with the client; establish proper processes to ensure that actions items are undertaken.
- ✓ Provide sufficient support to portfolio managers and staff in dealing with a client that is uncooperative or unresponsive to KYC information enquiries; ensure documentation reflects efforts made, any information gaps (e.g., exception reports), and actions that are required as a result of any such gap.
- ✓ Maintain adequate documentation to support your supervision of the KYC process.
- ✓ Establish compliance oversight of client relationship management with respect to KYC requirements. Consider including a report on KYC compliance in the CCO's Annual Report to the Board.<sup>18</sup>

---

<sup>18</sup> See also [PMAC Guideline on Preparing an Annual CCO Report to the Board](#).

## Appendix A Guide to Collecting KYC Information

The following provides guidance on how to collect various types of KYC information.

### 1. Identity and Reputation

**Verify client identity.** Verify that the client is who they purport to be. In doing so, request to view and then record the necessary details from a current and valid original piece of identification; the following types of identification such as: Birth Certificate, Driver's License (valid, not expired), Proof of Citizenship - Passport (valid, not expired), Record of Landing, Permanent Resident Card or other similar document, Old Age Security Card, Certificate of Indian Status, or Foreign identification, if equivalent to an acceptable type of Canadian identification document.

**Personal information.** Obtain the following information (typically collected in a form format):

- Full legal name
- Full contact information (i.e., residential address, phone number(s), email address, etc.)
- Civil status or family situation
- Information on spouse or partner (if applicable)
- Occupation (detailed description, i.e., contractor or consultant generally not sufficient) or previous occupation if retired
- Employment status (for example: retired, employed, self-employed, and length of service, if applicable)
- Employer (if applicable)
- Business address
- Date of birth
- Social Insurance Number (SIN)
- Citizenship
- Name(s) of all children and their dates of birth
- Number of dependents
- Whether somebody other than the client is authorized to provide instructions on the account and if so, the name and contact details
- Whether somebody other than the client has a financial interest in the account and, if so, the name and contact details
- Contact details of TCP and consent to contact TCP

**Corporate information.** Where the client is a corporation, partnership or trust, the nature of the entity must be established along with the identity of any individual who, is a beneficial owner of, or exercises direct or indirect control or direction over, more than 25% of the voting rights attached to the outstanding voting securities of the corporation, or in the case of a partnership or trust, exercises control over the affairs of the partnership or trust.

**Trustee and/or executor information.** The client's trustee or named executor should be determined to ensure the registrant can continue to manage and oversee the account upon death of the client

**Reputational concerns.** Make inquiries if you have cause for concern regarding a client's reputation. This could include establishing the client's source of wealth or funds. Document all inquiries made and information obtained including third party references if undertaken. Where there are reputational concerns, consult with compliance staff and/or senior management to determine whether the firm should accept the client.

## 2. Insider Status

**Definition.** The definition of an “insider” includes CEOs, CFOs, and others as outlined in National Instrument 55-104 *Insider Reporting Requirements and Exemptions* and its companion policy. Clients who have access to material information about certain companies and who can influence the direction of the company must file insider reports. In addition, generally any person or organization that owns or has claims on 10% or more of a company’s equity is also considered an insider and must file insider trading reports although there are some important exceptions for eligible institutional investors.<sup>19</sup>

**Establishing insider status.** Take reasonable steps to establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded. “Reasonable steps” include explaining to the client what an insider is and what it means for securities to be publicly traded.<sup>20</sup>

**Relevant questions and considerations.** Provide explanation to the client so that they understand the questions being asked regarding insiders and the importance of the information being sought. The following questions should be asked of the client:

Are you a director or officer of a publicly traded company?

Are you an owner of 10% or more of the voting rights (alone or as a part of a group) of a publicly traded company?

If the client indicates, “Yes” to either of the above questions, the name of the company should be obtained

For firms selling highly concentrated pooled funds, enquire as to whether a client is an insider of the issuer of any securities held by the fund notwithstanding the exemption provided in subsection 13.2(7) of NI 31-103 (i.e., for mutual fund dealers and scholarship plan dealers).

**Insider trading policies.** Establish policies to address issues relating insider trading provisions in securities legislation.

<sup>19</sup> See [National Instrument 62-103 \(Part 4\)](#).

<sup>20</sup> See s.13.2 of Companion Policy to NI 31-103. “Reporting issuer” has the meaning given to it in securities legislation and “other issuer” means any issuer whose securities are traded in any public market. This includes domestic, foreign, exchange-listed and over-the-counter markets. This definition does not include issuers whose securities have been distributed through a private placement and are not freely tradeable.

### 3. Investment Knowledge

Assessing a client's financial knowledge requires a firm to ensure it has sufficient information about the client's understanding of financial markets, the relative risk and limitations of various types of investments and how the level of risk taken affects potential returns.

Ask clients questions about their level of awareness and previous experiences with finances and investments (see Questionnaire below).

Firms should make additional inquiries if the information provided by the client appears inconsistent with their level of investment knowledge (e.g.: if you have a client who indicates they have limited investment knowledge but also indicates they have a willingness to accept a high level of risk).

### 4. Investment Needs and Objectives

#### Goals and Needs

- Establish and prioritize short- and long-term goals (including short term and long-term funding needs).
- Conduct routine and periodic assessments of the clients' goals and needs to determine whether they are being met and properly executed.
- Investment goals will vary from client to client (e.g., capital preservation, speculation, passing on wealth from generation to generation, philanthropic goals, real estate growth, etc.) as will needs (e.g., short term funding requirements, long term funding requirements, liquidity needs, lifestyle needs, legacy needs etc.).
- Assess whether there is a gap between the income required by the client vs. the income the portfolio can and is actually

#### Age

Age is a crucial factor in determining the client's risk profile and in portfolio construction. Age may reasonably influence investment selection that provide for income versus investments that provide capital gains.

As a generalization, a "younger" client might have a higher risk asset allocation tolerance that could result in and withstand larger market value fluctuations over time while an "older" client might prefer more conservative asset mixes and/or capital preservation; however, neither of these may necessarily be true for all clients. While age might be a factor in determining the client's investment knowledge or experience, assuming that clients are more knowledgeable based on age (whether younger or older) may not be valid.

#### Occupation

The client's occupation may provide indication as to whether the client can and likely will maintain a stable income, provide a source of funding for retirement (e.g., part of a defined pension plan, occupations that provide employed clients with a stock option plan may influence investment

#### Income

The client's income level will determine their tax rate; consequently, income may reasonably influence investment choices and risk tolerance. A higher income client may have a greater ability to withstand losses, but this may not be indicative of a higher risk tolerance. If the client has income needs that exceed the income that the portfolio is generating, there is a risk of erosion of capital; this should be identified to the client (refer to the bullet under "Goals and Needs" above).

#### Taxes

Establish whether the client has any relevant special tax circumstances or if there are tax considerations that should be factored into portfolio construction; tax considerations might reasonably be relevant in all circumstances as minimizing the client's tax exposure plays an important role in the selection of investments. Consider whether to consult with the client's tax adviser, if they have one (e.g., to confirm whether the client has any unrealized capital losses).

#### Liquidity

#### Time Horizon

A client's time horizon is the determination of when the client requires access to his or her investments, for either income and/or capital; reflect whether the client has short term and/or long term (as defined) funding requirements and, to the extent possible, the nature of future cash flow needs that the account is intended to fund. Time horizon is a key consideration when choosing investments and in supporting the firm's suitability determination and should be explored and discussed at length with clients. Firms have a responsibility to assess the feasibility and reasonableness of the client's time horizon relative their liquidity needs, age, investment objectives, risk profile and other particular circumstances.

#### Overall Wealth

A client's overall wealth (i.e., including assets held outside of the portfolio and/or jointly with others, and including debt obligations such as mortgage(s), line(s) of credit, etc.) will impact risk profile and investment goals and needs. Establish a picture of the client's overall wealth and an understanding of what percentage (or



Advancing Standards™

# FASKEN

producing (i.e., an expectation gap).

decisions, etc.), and may be a significant determinant in the client's overall wealth. Consider issues related to self-employment where applicable.

Determine the client's intermediate liquidity (i.e., events that are planned for) and plan for unforeseen liquidity events (e.g., medical emergency).

**ESG Requirements**

Inquire whether the client wishes to apply the firm's ESG approach to its portfolio.

portion) of the client's wealth is being managed by the firm.

Determine whether the client anticipates any significant wealth changes or dependency on particular other factors (e.g., spouse or impending inheritance, etc.).

**Investment Return Assumptions**

Consider setting out investment return assumptions that would be required to meet the client's agreed to investment needs and objectives.

The firm should periodically update the client on progress towards any goals set for their account or portfolio.

## 5. Financial Circumstances

In collecting information on a client's financial circumstances, the registrant must review and assess the client's overall financial circumstances which includes annual income; liquidity needs; financial assets; net worth; and whether the client is using leverage or borrowing to finance the purchase of securities.

Assessment of the client's financial circumstances requires consideration of the client's current financial situation and current priorities, along with the client's anticipated financial circumstances given future priorities or periods of transition. As circumstances change and over time, this needs to be reassessed.

**Relevant information.**

Obtain the following information and update periodically:

- Total personal income
- Total personal and spousal income
- Total liquid assets
- Total net worth
- Debts, mortgages, lines of credit, etc.
- Predictability of income
- Accredited investor status
- Account information (e.g., type(s) of account - registered, non-registered)
- Other investment accounts
- Tax considerations (e.g., installments, liabilities etc.)
- Any history of personal bankruptcy or credit issues

**Liquidity needs**

Consider ascertaining the extent to which a client wants or needs to access all/a portion of their investments to meet ongoing and short-term expenses and financial obligations or to fund major planned expenditures.

**Personal or professional transitions.**

Go beyond the information listed above and establish whether the client is (or plans to be in the near future) experiencing any periods of personal or professional transition.

Personal transitions may include, but are not limited to, family additions (whether child or grandchild), separation or divorce, personal or family health issues or recent bereavement.

Professional transitions may include, but are not limited to, considering a new job or career change, starting a new business, selling a business or approaching retirement.

**Financial assets and net worth**

Take reasonable steps to get a breakdown of financial assets. These include deposits and type of securities such as mutual funds, listed securities and exempt securities.

**Financial transitions.**

Discuss any financial transitions that are contemplated or likely to occur in the near future (such as those described below) and which should factor into an evaluation of the client's overall financial circumstances.

- Is the client reconsidering their investment philosophy?
- Is the client actively considering a specific investment opportunity?
- Is the client considering taking on more debt or concerned with their current debt level?
- Is the client considering developing or reviewing an estate plan?
- Does the client anticipate receiving an inheritance, financial windfall or realizing a significant investment gain or loss in the immediate future?
- Is the client planning philanthropic activities or to leave legacies to family members?
- Where relevant to the time horizon, what are the client's retirement goals?

Also consider whether the client has any other means to cover the expenditures, whether the needs are expected or unexpected and whether, once the need materializes, the client will withdraw money on a regular basis.

**Leverage or borrowing**

Firms should understand if a client is using leverage or is borrowing to finance the purchase of securities.

If a client is borrowing money or borrows against the value of their investments, the firm is expected to gather additional details around the client's ability to meet debt obligations to help the firm make a suitability determination.

Take reasonable steps to determine the client's net worth, this includes all types of assets and liabilities.

Consider the need to inquire about investments the client holds outside of your firm to have a better understanding and to support the suitability determination. This information can be particularly important to your ability to assess whether an investment might lead a client to be over-concentrated in a security or sector.

## 6. Risk Profile

Understanding your client's risk profile (made up of both the client's risk tolerance and their risk capacity) is a key part of the KYC process and informs the client's overall investment profile. Explain the relationship between risk and return; a client's understanding of this concept is important so take the time to be reasonably sure that the client grasps this. The totality of KYC information gathered on the client plays an important part in establishing a firm's understanding of risk profile, particularly the KYC information regarding financial circumstances. Understand that the client's risk tolerance and risk capacity may be difficult to articulate and may change over time<sup>21</sup>; consider providing tools to facilitate this; consider the impact of how risk tolerance and risk capacity questions are framed. Assess the client's outlook on investing, and, in particular, their understanding of market and economic conditions and comfort level with market volatility.

**Risk capacity**

Risk capacity is the client's ability to endure potential financial loss.

**Risk Tolerance**

Risk tolerance is the client's willingness to accept risk.

**Risk Profile**

The client's risk profile should reflect the lower of a) the client's risk tolerance and b) the client's risk capacity. In the event of a conflict between the client's expectations and risk profile, the firm should have a detailed discussion of the relationship between risk and return to reconcile such conflicts and to establish more realistic expectations. If a client's goals or return objectives cannot be met without taking greater risk than the client is able or willing to accept, the firm should clearly explain alternatives such as saving more, retiring later or spending less. If the client does not have the risk

<sup>21</sup> See CFA Institute publication: "What every investor should know...", 2007. Available at: [www.cfainstitute.org](http://www.cfainstitute.org).

capacity or tolerance associated with a higher risk portfolio, the firm should explain to the client that their need/expectation for a higher return cannot realistically be met and that, as a result, the higher risk portfolio is unsuitable. Document the interaction with the client and the results of this discussion thoroughly.

Have processes in place to assess a client's risk profile that are supportable and reliable. These processes should include measures that do the following:

- Assessing both the client's risk tolerance and risk capacity.
- Appropriately interpreting client responses to questions and not attributing inappropriate weight to certain answers; and
- Identifying clients that are more suited to placing their money in cash deposits or guaranteed products because they are either unwilling or unable to accept the risk of loss of capital.

Concentration is another important aspect of assessing a client's risk profile, as are age and life stage considerations for assessing the client's capacity to withstand loss.

Any risk profile questionnaire should contain questions that are clear, fair and not misleading (a risk profile should not be manipulated to justify recommending higher-risk products, by example, having a single category of risk tolerance). Firms should document both the questions and answers used to arrive at a client's risk profile.

## 6. Client Confirmation and Other Experts

Consider whether it is prudent and appropriate to consult with the client's accountants, lawyers etc., when developing an IPS, IMA and portfolio; obtain the appropriate client consents to do so, which may include relevant legal and regulatory considerations and determining name of accountants, lawyers, or other professional service providers.

Firms must take reasonable steps to obtain the client's confirmation of the accuracy of the KYC information collected, including to any significant changes to the client's information. This confirmation can be evidenced by obtaining the client's signature (which may be handwritten or "wet", electronic or digital), or, by maintaining notes in the client file detailing the client's instructions to change information. Firms should also verify KYC by providing written notice to clients with details of the instructions for change and providing the client the opportunity to correct any changes that have been made. The firm's books and records should maintain evidence of the client's confirmation of the accuracy of their KYC information.

Firms should consider implementing additional controls (sch as obtaining the client's signature in any form) to evidence changes in client name, address or banking information as these data points are associated with fraud.

Firms must record the date they collect or update KYC information.

## Appendix B Considerations in Developing a KYC Questionnaire

A well-designed KYC questionnaire can be an effective tool in the KYC process; however, it should not be relied upon as the full extent of KYC documentation to meet a registrant's KYC obligation. The following discussion is meant to assist PMAC Members who use a KYC questionnaire or plan to do so in the future. PMAC notes that the development of KYC questionnaires is both an art and a science and should be undertaken with a careful analysis of the firm's business, clients and securities offered.

Firms are expected to explain and have further discussions with clients about the KYC process, including providing assistance in helping clients to articulate their investment needs and objectives, to clarify inconsistent KYC responses and/or unclear instructions. Particular care should be exercised with less sophisticated clients as well as those who are or may be vulnerable.

KYC questionnaires should be in plain language and supported with explanations of what each question or item relates to and what relevant terms and expressions mean.

Subject areas that might be suitable for inclusion in a KYC questionnaire are:

1. Financial circumstances;
2. Personal circumstances;
3. Client's knowledge / experience, including investment knowledge;
4. Investment objectives;
5. Investment time horizon; and
6. Risk profile.

An effective questionnaire should engage the client in the KYC process and support and enhance the initial discussion with the portfolio manager. Questionnaires should be tailored to meet the profile of the client that the registrant firm services and reflect the firm's overall investment approach and strategies offered. Evaluate if there is a gap between what the client states verbally and how they provide answers to complete the questionnaire, particularly with respect to risk profile. A questionnaire should provide for a balanced assessment but still be concise enough to be completed in a reasonable amount of time. The output from the questionnaire should enable the portfolio manager to categorize the client into one of various investor profiles/risk categories.

**Note:** For joint accounts, complete a separate questionnaire for each client then address any differences that might indicate inconsistent expectations and objectives. Income and net worth can

be collected for each individual or on a combined basis, as long as it is clear which method has been used. Investment needs and objectives, investment time horizon, and risk profile should relate to the account and should not be collected separately for each individual account holder. This information should be updated as required by NI 31-103.<sup>22</sup>

For clients who wish to have suitability determined at the “household” level, the suitability determination should be performed for each client and then a supplementary suitability determination should be done for the household. There should be sufficient alignment of investment objectives between members of the household to benefit from a household suitability assessment. Each individual should be fully informed of the purpose of the household suitability determination and how it differs from an individual suitability determination. Each individual should agree to the carrying out of a household suitability determination. Information including income and net worth, investment needs and objectives, investment time horizon and risk profile should be updated for each individual and on a combined basis for the household as required by NI 31-103.<sup>23</sup>

---

<sup>22</sup> Sections 13.2(4) and 13.2(4.1)

<sup>23</sup> Sections 13.2(4) and 13.2(4.1)

### Sample Questions:

The following topics and sample questions are intended to provide a starting point ONLY in developing a Know Your Client Questionnaire for private clients. This is not an exhaustive list of possible KYC questions nor is all possible answer options reflected here. Questions and answer options should be carefully considered and framed so that the responses can inform the client's investor profile and investment advice provided to the client.

#### Financial Circumstances

1. How would you describe your employment situation?
  - Stable and secure
  - Stable and not expecting any changes in near future
  - Stable but may change in the future
  - Somewhat unstable
  - Unemployed but actively looking
2. What is your current annual family income including income from all sources (i.e., salary, commissions, investment income and other sources of income)?
  - Under \$100,000
  - \$101K - \$300K
  - \$301K - \$500K
  - Over \$500K
3. What is your estimated net worth (includes real estate, assets, investments etc. but subtract anything that you owe, such as mortgage, loans and any other debt).
  - Under \$100,000
  - \$101K - \$300K
  - \$301K - \$500K
  - \$500K to \$1M
  - Over \$1M
4. How would you describe your overall financial situation?
  - Little savings and significant debt
  - Little savings and some debt
  - Some savings and some debt
  - Moderate savings and low debt
  - Little to no debt and financially secure

## Client's Knowledge / Experience

**Note:** Investors with a high level of investment knowledge may have a better understanding of the relative risks of various types of investments and understand the fluctuations in returns. Investors with little to no knowledge of investments and financial markets will likely have lower tolerance of fluctuations in returns and a lower tolerance for risk.

1. How long have you been investing?
  - <5 years
  - 5-10 years
  - 10 to 15 years
  - >15 years
  
2. I would describe my knowledge of investments as:
  - None
  - Limited
  - Basic knowledge
  - Good
  - Extensive
  
3. How would you rate your understanding of the investment market?
  - Limited
  - Low
  - Moderate
  - High
  
4. What types of investment products have you previously invested in? Are you comfortable with the volatility associated with this/these type(s) of investment(s)?

## Investment Objectives

1. What are your main investment objectives?
  - Wealth preservation
  - Stable income with modest fluctuations
  - Security with fairly steady growth
  - Growth and accepting of fluctuations
  - A combination of income and growth

2. What is the intent of your portfolio?
  - To generate income for today
  - To generate income at a later date (i.e., retirement)
  - To provide for my dependents (I do not anticipate using these funds)
  - To fund a large purchase in the future
3. What is the primary goal of your portfolio?
  - Growth with no fluctuations
  - Balance of growth and security
  - Growth potential with some fluctuations in returns
  - Potential long-term growth
4. Which of the following best describes your current investment goals?
  - You don't want to lose money but want some opportunity for modest growth
  - You want growth, but are concerned with the possibility of loss
  - You expect your money to grow over the long term and accept some risk
  - You want maximum growth and are comfortable with a higher level of risk
5. Which statement most clearly describes your investment objectives?
  - I'm willing to accept a lower, more predictable return because security and regular income are the priorities for my investment
  - I require regular income from my investment and a relatively consistent rate of return
  - I have a need for income, but I'm also interested in some growth
  - I want a combination of modest income and long-term growth
  - My priority is primarily long-term growth
  - My priority is aggressive growth over the long-term

### **Investment Horizon**

Determining the client's investment time horizon will impact the type of investments that may be suitable for the client. It is important that any time horizon periods used in a questionnaire are properly defined and understood by the client. Short term time horizons are typically less than 5 years in the future. Investors with short time horizons generally have a greater need for liquidity and lower risk tolerance because they have less time to recover from any performance shortfalls. Intermediate term goals are 5 to 10 years and long-term goals are generally more than 10 to 15 years in the future. The client's age is one indication of the client's time horizon but not a determinative indication. The client's investment time horizon should generally be determined by considering when the client will need to access some or all of their money (i.e., for retirement, child's college education, home purchase, etc.).

1. When are you planning to retire?
  - In less than 5 years
  - In 5 to 10 years
  - In 11 to 20 years
  - In more than 20 years
  - I am currently retired
  
2. How long do you plan to remain invested in your portfolio before you begin withdrawing a substantial portion of the portfolio?
  - Less than 1 year
  - 1-5 years
  - 5-10 years
  - More than 10 years
  
3. Once you begin withdrawing money from the portfolio, you anticipate spending all of the funds within:
  - Less than 1 year
  - 1-5 years
  - 5-10 years
  - More than 10 years
  
4. Which of the following best reflects your investment time horizon? [Edit as appropriate to your firm]
  - Short-Term Time Horizon. If you have less than 5 years to begin spending your savings, you probably cannot afford a big loss. Be sure to match the risk level of your investments to your time horizon. If you have other sources of income, you may have more flexibility. The additional income sources may enable you to leave your savings invested until they regain their value.
  - Intermediate-Term Time Horizon. With 5 to 10 years to invest, you have time to take advantage of the stock market, but you may want to limit your overall risk. A major setback could still affect the amount you'll have at retirement. A balanced approach to investing may be appropriate.
  - Long-Term Time Horizon. If you have over 10 to 15 years to invest your savings, you have time to take advantage of the potentially higher long-term returns. Long-term investors do not have to react to short-term market movements, and they do not have to sell if the markets are down temporarily.

## Risk Profile

Risk profile describes the degree of risk a client is willing to assume and be able to withstand to achieve their investment objectives. These types of questions should be designed with the goal of understanding the client's tolerance for financial risk, understanding of financial markets and how they may react during certain investment market and economic conditions. This information helps provide an overall understanding of the client's investment profile and helps the portfolio manager to determine the types of investment products that may be appropriate to achieving the client's investment objectives. An investor's ability to tolerate and withstand risk will be an important factor in building a portfolio of investments that meets the investor's personal investing profile.

**Note:** Consider both the client's willingness to accept risk and ability to accept risk when assessing the client's risk profile.

1. Investing involves a trade-off between risk and return. Historically, investments with higher returns have been associated with greater risk, i.e., chance for loss. However, in some circumstances more traditionally cautious investments that should have a lower chance for loss, also have yielded lower returns. Based on this description of investments characteristics, which of the following statements best describes your attitude to risk?
  - I am willing to accept minimal amount of capital loss
  - I am willing to accept moderate capital loss
  - I am willing to accept high capital loss
2. How would you react if your investments were to decline in value by [10%, 20%, 30% etc.] over a one-year period? \*\* Consider using a portfolio volatility matrix or expressing %s in \$ values.
3. Given the fluctuations of any investment portfolio, how long would you be willing to wait for your investments to regain any lost value?
4. In an effort to grow your wealth, can you afford to lose any money over the next two years?
5. How do you feel about investment losses? For many investors, the possibility of losing money is a primary concern.
6. You have made an investment of \$100,000 and its value falls by 20% to \$80,000. Assuming you still have 10 years until you begin withdrawals, how would you react?
  - I would not change my portfolio.
  - I would wait at least one year before changing to options that are more stable.
  - I would wait at least three months before changing to options that are more stable.
  - I would immediately change to options that are more stable.

7. What is your willingness to risk shorter-term losses for the prospect of higher longer-term returns?
  - Very willing
  - Willing
  - Unwilling
  - Very unwilling
  
8. What is your willingness to experience volatility to generate higher returns?
  - Very willing
  - Willing
  - Unwilling
  - Very unwilling
  
9. I prefer a portfolio allocation that is designed to grow steadily and avoid sharp ups and downs, even if it results in a lower long-run rate of return. Agree / disagree?
  
10. Have you ever borrowed money to make an investment other than your own home (for example: an investment property; holiday home; share portfolio; margin loan; etc.)?
  
11. Which investment option has less risk?
  - Guaranteed Investment Certificate (GIC)
  - Government of Canada bonds
  - Canadian Corporate bonds
  - Canadian equities
  - Global equities
  - Emerging market equities

## **Appendix C Unacceptable KYC Practices**

The CSA has identified the following practices as unacceptable when performing KYC procedures:

- ✘ Registrants should not approach the collection of KYC information as a “tick-the-box” exercise.
- ✘ Delegating KYC and suitability obligations to other parties (i.e., unregistered individuals such as administrative assistants or a referral agent) is not permitted and is contrary to securities laws. Although a registrant may rely on an unregistered individual to assist in incidental administrative tasks related to the collection of KYC information, it is the registrant’s obligation to “know” the client and the client’s investment needs and objectives. If an unregistered individual or firm purports to collect KYC information or explain products to clients, these activities may be considered to be registerable dealing or advising activities (since these activities may themselves constitute acts in furtherance of a trade).
- ✘ Processing a trade (other than a liquidating transaction upon a client’s request) if there is any missing or conflicting KYC information that may affect the registrant’s ability to assess the availability of the prospectus exemption or the suitability of the investment.
- ✘ Using outdated KYC information or an outdated KYC form to assess the suitability of a client’s investment.
- ✘ Using disclaimer language in a KYC form or other document that purports to limit liability for losses, including losses resulting from a breach of the registrant’s obligations under securities law.

## Appendix D Permitted Client Suitability Waiver

The following template waiver may be provided to permitted clients with respect to certain know your client (**KYC**) and suitability determination obligations under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**). Firms can use this waiver with:

- (a) a non-individual permitted client with a managed account or
- (b) an individual permitted client whose account is not a managed account.

Permitted clients can waive the requirement for the firm to collect the following KYC information:

- personal circumstances
- financial circumstances
- investment needs and objectives
- investment knowledge
- risk profile
- investment time horizon

as well as waive the suitability determination requirement under section 13.3. The waiver must be provided in writing.

### PERMITTED CLIENT WAIVER

**TO:** [insert name of firm] (the **Firm**)

Capitalized terms used but not defined in this permitted client waiver (the **Waiver**) have the same meaning given to such terms in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**).

In connection with the management of your account[s] by the firm pursuant to the terms of the Investment Policy Statement (**IPS**) dated \_\_\_\_\_, as may be updated from time to time, and the Investment Management Agreement (**IMA**) dated \_\_\_\_\_, as may be updated from time to time, between the client and the Firm, the client hereby certifies to the firm that the client is a permitted client within the meaning of NI 31-103 and hereby agrees to waive the Firm's obligations to (a) collect certain know-your-client (**KYC**) information and (b) determine suitability in accordance with section 13.3.1(1) [Non-individuals] or 13.3.1(2) [Individuals with non-managed accounts] of NI 31-103.

Specifically, the client is a permitted client because the client falls under one of the following subsections of the permitted client definition:

**PLEASE CHECK EACH APPLICABLE CATEGORY AND INITIAL**

- (a) a Canadian financial institution or a Schedule III bank;
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);
- (c) a subsidiary of any person or company referred to in paragraph (a) or (b), if the person or company owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of the subsidiary;
- (d) a person or company registered under the securities legislation of a jurisdiction of Canada as an adviser, investment dealer, mutual fund dealer or exempt market dealer;
- (e) a pension fund that is regulated by either the federal Office of the Superintendent of Financial Institutions or a pension commission or similar regulatory authority of a jurisdiction of Canada or a wholly-owned subsidiary of such a pension fund;
- (f) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (e);
- (g) the Government of Canada or a jurisdiction of Canada, or any Crown corporation, agency or wholly-owned entity of the Government of Canada or a jurisdiction of Canada;
- (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;
- (i) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;
- (j) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a managed account managed by the trust company or trust corporation, as the case may be;
- (k) a person or company acting on behalf of a managed account managed by the person or company, if the person or company is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction;
- (l) an investment fund if one or both of the following apply:

- (i) the fund is managed by a person or company registered as an investment fund manager under the securities legislation of a jurisdiction of Canada;
- (ii) the fund is advised by a person or company authorized to act as an adviser under the securities legislation of a jurisdiction of Canada; (m) in respect of a dealer, a registered charity under the *Income Tax Act* (Canada) that obtains advice on the securities to be traded from an eligibility adviser, as defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions*, or an adviser registered under the securities legislation of the jurisdiction of the registered charity;
- (n) in respect of an adviser, a registered charity under the *Income Tax Act* (Canada) that is advised by an eligibility adviser, as defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions*, or an adviser registered under the securities legislation of the jurisdiction of the registered charity;
- (o) an individual who beneficially owns financial assets, as defined in section 1.1 of National Instrument 45-106 *Prospectus Exemptions*, having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$5 million;
- (p) a person or company that is entirely owned by an individual or individuals referred to in paragraph (o), who holds the beneficial ownership interest in the person or company directly or through a trust, the trustee of which is a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction;
- (q) a person or company, other than an individual or an investment fund, that has net assets of at least \$25 million as shown on its most recently prepared financial statements;
- (r) a person or company that distributes securities of its own issue in Canada only to persons or companies referred to in paragraphs (a) to (q).

**[Non-individual client full corporate name here]**

By: \_\_\_\_\_

Print name and title of authorized signatory \_\_\_\_\_

I have authority to bind the corporation.

OR

**[Name of individual client]**



**FASKEN**

Client Signature: \_\_\_\_\_

Witness name: \_\_\_\_\_

Witness signature: \_\_\_\_\_

Date: \_\_\_\_\_

Name of registered individual of the firm who obtained the signed waiver:

\_\_\_\_\_