

Andrea Rigobon KYC Video.mp4

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Hi, I'm Andrea Rigobon, Director of Procurement and Senior Legal Counsel at Fidelity Canada. I'd like to get you up to speed on some new enhancements to your KYC obligations that are coming into force at the end of 2021 as a result of the client-focused reforms. The rules say that dealers and advisors must take reasonable steps to ensure they have sufficient information about their clients. That's not really new. In terms of the information to be collected, that's not really new, either. You collect information on your client's personal circumstances, so things like their date of birth, civil status, number of dependents, whether anyone has a financial interest in the account – the regulator is calling that information essential facts. As well you'll be collecting information about their financial circumstances. So a breakdown of their assets and net worth, their investment needs and objectives, investment time horizon, investment knowledge. And a risk profile, which the regulators clarify, is made up of two elements: risk capacity, so their ability to withstand losses, and risk tolerance, their attitude towards risk. That's new. So in terms of what's really being clarified in these enhancements, the regulators are saying that they expect the KYC exercise, so collecting information from clients, not just to be a tick the box exercise. They say that forms can be used, but they don't want those forms to be pre-populated with information. What they really expect to come out from discharging this obligation is a meaningful interaction with your clients. Delve deeper to understand their circumstances and what they want to get out of their investments. And so what do the regulators mean by meaningful interaction? They mean, they say that don't assume that clients understand the questions that they're being asked. Help them to articulate their investment needs and objectives and risk profile in terms that makes sense to them. Ensure your questions are true, fair and not misleading. And where the client gives information that's inconsistent, they want you to probe and delve deeper and reconcile those inconsistencies. So, for example, if the client has high investment, high return expectations, and the client's risk profile is low, they expect you to reconcile that discrepancy. And so really, they want you to delve deeper. But how deep do they really want you to go? And the answer to that is that regulators have clarified that no two dealers are alike, so that's really good. They're going to give you flexibility in terms of your business model, the nature of the relationship with your clients, and that flexibility will determine how much information you need to collect. And so we think that's really reasonable. Ultimately, it's about do you have enough information to support the suitability determination, and that is not new. And then you'll need the clients to sign off on the accuracy of that information and update that information every 12 months for managed accounts, 36 for non-managed, and upon a significant change. I'm always being asked, what if clients don't want to provide this information? And what's really great about these new rules, that the regulators have responded to that, and they've addressed that question. They say, the client refuses to provide information, specifically spell out the types of information you need to service the account. Let the client know that the more information they provide, the better you'll be able to service the account, and then point out the dealer's privacy policy and any confidentiality obligations you may have. And if the client still doesn't want to provide the information, that doesn't automatically disqualify you from servicing the account. They say look at the information you have and the recency of it, and if it's sufficient to support your suitability determination, then you can still service the account. So we think that's all very reasonable. I hope this was informative. I encourage you if, if you want information on our funds to visit [Fidelity.ca](https://www.fidelity.ca). You can look at our fund profiles, fund pages and fund facts there. And if you need a more in-depth analysis, do not hesitate to reach out to our sales team. Thank you.

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