



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

Contact: Anna Swiader
Senior Legal & Policy Counsel
Phone: 416-943-7409
E-mail: aswiader@mfda.ca

BULLETIN #0578-P
October 2, 2013

MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

“Opening Your Investment Account” Information Sheet

MFDA staff has prepared the attached Information Sheet “Opening Your Investment Account” for Members and Approved Persons to provide to clients on account opening. Delivery of this document is **not mandatory** but rather is a resource for Members to use at their discretion.

The Information Sheet provides a brief description of the MFDA and the MFDA Investor Protection Corporation, and explains to clients that the information that their advisor requests from them at account opening is required to ensure compliance with MFDA Rules, securities legislation, and other requirements such as Anti-Money Laundering and tax legislation.

MFDA staff is providing the Information Sheet in response to Member requests for assistance in explaining to clients why comprehensive personal and financial information is required at account opening. The Information Sheet is a tool for Members to help explain to clients in plain language why certain information will be collected from them.

A copy of the “Opening Your Investment Account” Information Sheet is available on the MFDA website for reference at: <http://www.mfda.ca/investors/brochure/ClientInfoSheet.pdf>.



OPENING YOUR INVESTMENT ACCOUNT

About the MFDA

The Mutual Fund Dealers Association of Canada (MFDA) is the self-regulatory organization (SRO) for mutual fund dealers in Canada. The MFDA regulates the operations, standards of practice and business conduct of mutual fund dealers and their advisors with a mandate to enhance investor protection and strengthen public confidence in the Canadian mutual fund industry. For more information, please visit us at www.mfda.ca.

MFDA IPC

Your investments held by an MFDA Member are covered under the MFDA Investor Protection Corporation (IPC). The IPC provides protection to eligible customers of MFDA Members on a discretionary basis to prescribed limits if securities, cash and other property held by any such Member are unavailable as a result of the Member's insolvency. The IPC is sponsored by the MFDA and coverage is automatic when you become a customer of an MFDA Member. There are no fees to you, the investor. Coverage is in the amount of up to \$1 million per customer account in respect of the loss of customer property held by an MFDA Member. For more information, please refer to: <http://www.mfda.ca/ipc/forms/IPC-CoverageBrochure.pdf>.

When you decide to open an account, you and your advisor will complete a new account application.

This application will require you to provide personal information as well as ask you to make certain decisions about your account. Your advisor will use this information to learn about you and your financial needs and to meet regulatory obligations.

This information sheet sets out the basic information that will be collected from you on account opening and explains why it is necessary to open and operate your account.

Suitability and Know-Your-Client Requirements

Securities legislation and MFDA Rules require that each recommendation your advisor makes be suitable for you in relation to your investment objectives, risk tolerance and other personal circumstances. In order to meet this requirement, your firm and advisor need to understand your financial situation, investment needs and objectives, and tolerance for risk. This is referred to as the "Know-Your-Client" (KYC) Rule under securities law. This Rule requires your firm and advisor to collect the following information from you:

- ✓ **Age** – Your date of birth will be recorded.
- ✓ **Annual Income** – Your approximate annual income from all sources.
- ✓ **Net Worth** – An estimate of the value of your assets less your liabilities.

- ✓ **Investment Objectives** – *The specific characteristics of investment products and how they relate to the achievement of your investment goals.*
- ✓ **Time Horizon** – *This is the period from now to when you will need to access a significant portion of the money you invest in the account.*
- ✓ **Investment Knowledge** – *This is your understanding of investing, investment products, and their associated risks.*
- ✓ **Risk Tolerance** – *This is your willingness to accept risk and your ability to withstand financial losses.*

For certain types of investment strategies, you may be asked for more detailed information on your income, expenses, and net worth.

Your firm and advisor will assist you in understanding what these terms mean and how they relate to the specific investments recommended to you.

After you open your account, you need to notify your advisor of any significant events that may change your investment objectives, time horizon, investment knowledge, risk tolerance, income and net worth. For example, your advisor needs to know about:

- ✓ Changes to marital status
- ✓ Relocation to another province or territory
- ✓ New job or job loss
- ✓ Long-term illness
- ✓ New debt financing
- ✓ Major increase or decrease in your financial resources, for example due to inheritance

Other Information Requirements

In addition to information requirements under the MFDA KYC Rule, your firm and advisor must also comply with obligations under other

legislation and regulations. Your firm and advisor may be restricted from opening your account if you do not provide this information.

- ✓ **Full Legal Name and Date of Birth**

This is required by MFDA Rules and the *Proceeds of Crime (Anti-Money Laundering) and Terrorist Financing Act*. This legislation is designed to prevent the use of the financial system for hiding proceeds of criminal activity or financial terrorist activity.

- ✓ **Proof of Identity**

This is required for certain accounts by Anti-Money Laundering legislation. To verify your identity, you may be asked to provide a driver's license, citizenship card, passport, or birth certificate.

- ✓ **Residential Address and Contact Information**

This is required by Anti-Money Laundering legislation and MFDA Rules. This information will allow your firm to contact you to provide investment advice or notify you of any changes with respect to your investments. This information is also required for account reporting.

- ✓ **Citizenship**

This is required for tax reporting and may be used to determine if you are permitted to purchase certain types of securities.

- ✓ **Social Insurance Number**

This is required for tax reporting.

- ✓ **Signature**

This is required by Anti-Money Laundering legislation and MFDA Rules.

✓ Employment Information

This is required by Anti-Money Laundering legislation and MFDA Rules in order to help your firm and advisor determine suitable investments for you.

✓ Number of Dependants

This is required by MFDA Rules in order to help your firm and advisor determine suitable investments for you.

✓ Politically Exposed Persons

This is required to meet requirements under Anti-Money Laundering legislation. Your firm will need to determine whether you or a member of your immediate family have ever held a position with a foreign government that qualifies any of you as a “Politically Exposed Person”. You can find more information on this requirement at www.fintrac-canafe.gc.ca.

✓ Other Persons with Trading Authorization on the Account/Financial Interest in the Account

This is required by Anti-Money Laundering legislation and MFDA Rules. Your firm is required to maintain the names, dates of birth, employment information and the relationship of any individuals with trading authority or a financial interest in your account.

✓ Source of Funds

This is required to meet requirements under Anti-Money Laundering legislation.

If your account is jointly owned by two or more persons, some of this information may need to be collected with respect to each owner. If your account is owned through a corporation, trust or other type of legal entity, there may be additional information your advisor will need to collect in order to operate the account and ensure that all investments are suitable.

When providing this information, be as accurate as possible, as your firm and advisor will use this information to understand your financial needs and determine what investments are suitable for you. Read the application and the accompanying agreements and other documents your firm gives you carefully and ask questions about anything you do not understand.

Mutual Fund Dealers Association of Canada

Toronto

121 King Street West, Suite 1000
Toronto, Ontario M5H 3T9
General Inquiries
Phone: (416) 361-6332 or 1-888-466-6332

Prairie Regional Office

Suite 850, 800 - 6th Avenue S.W.
Calgary, Alberta T2P 3G3
Phone: (403) 266-8826, Fax: (403) 266-8858

Pacific Regional Office

650 West Georgia Street
Suite 1220, P.O. Box 11603
Vancouver, British Columbia V6B 4N9
Phone: (604) 694-8840, Fax: (604) 683-6577

www.mfda.ca
1-888-466-6332