

Opening an account

What is the information your dealing representative collects from you & why?



Who is the ASC?

The Alberta Securities Commission (ASC) is the independent, industry-funded provincial agency responsible for administering Alberta's securities laws. Working on behalf of all Albertans for a safe and successful capital market, the ASC's mission is to protect investors and foster a fair and efficient capital market.

The ASC regulates market participants such as exempt market dealers and portfolio managers that are in the business of trading or advising in securities, as well as investment fund managers that manage investment funds. We regulate compliance by these market participants with financial and business conduct requirements set out in Alberta securities law.

Understanding the risk of exempt market investments

Exempt market dealers only offer investments that are distributed under a prospectus exemption. Exempt market investments are generally considered high risk for a number of reasons, including limited or no ability to sell or redeem the investment, less regulatory oversight of the issuer, difficulty in valuing the investment, risk of loss and limited or no requirement to provide publicly available information about the investment.

What is your dealing representative's obligation to you?

Exempt market dealer firms employ individuals called dealing representatives who are required to be registered with the ASC. These dealing representatives are the people who will help you decide what to invest in.

Your dealing representative is required to deal with you fairly, honestly and in good faith.

To meet these requirements, your dealing representative must gather information about you in order to determine whether a potential investment is suitable for you. Your dealing representative's responsibility to determine whether an investment is suitable for you is a cornerstone of the Canadian investor protection regime.

How does your dealing representative determine whether your investment is suitable for you?

They have a meaningful discussion with you:

You and your dealing representative should start by having a comprehensive discussion about your personal circumstances, including your investment needs and objectives, financial situation, investment knowledge, experience, and risk tolerance. Your dealing representative can then offer you potential suitable investments, and explain how a proposed investment is suitable for you in light of the information you have provided.

Your dealing representative must collect certain personal information from you:

The ASC requires your dealing representative to collect the following information about you, primarily in order to help get to know you better, so that he or she can understand what investments would be suitable to recommend for your consideration. Some of the information below is also collected in order to comply with securities or tax law, or the Canadian Proceeds of Crime (Anti-Money Laundering) and Terrorist Financing Act requirements (AML Requirements). You cannot open an account with an exempt market dealer without providing certain of the identification information below.

▶ Your full name, address, contact information

- ▶ Basic information required to administer your account and help confirm your identity under securities law and AML Requirements.

▶ You will need to show proof of identity

- ▶ Required under securities law and AML Requirements.

▶ Date of birth

- ▶ Helps confirm your identity, and your age is considered in determining suitability of proposed investments. For example: a high-risk investment that does not offer liquidity for many years may not be considered suitable for someone who is elderly and requires accessible funds for living expenses in late retirement.

▶ Social insurance number (SIN)

- ▶ Needed for tax reporting purposes for investments that pay income, and
- ▶ Can be used to ascertain identity under AML Requirements.

▶ Occupation and employer

- ▶ Aids in an understanding of your personal circumstances, e.g. your financial capacity to withstand investment losses; coming to a conclusion regarding suitability of proposed investments; and meeting AML Requirements.

▶ Spouse's name, occupation and employer

- ▶ Required if the account is a joint account, in the determination of eligibility for certain prospectus exemptions, in the determination of suitability and to determine whether the dealing representative needs to consider insider trading rules when recommending trades.

▶ Number of dependants

- ▶ Useful in determining suitability, e.g. it may help understand timing of cash needs (braces, university tuition, etc.) and therefore appropriate time horizon of investment.

▶ Whether you are an insider of a public company

- ▶ Required so that the dealing representative knows whether insider trading laws must be considered.

▶ Whether someone else has a financial interest in the account

- ▶ If someone else has a financial interest in, or trading authority over, the account then name, relationship, employment, and date of birth is required for these individuals.

▶ Whether you are a politically exposed person (PEP)¹ or a head of international organization (HIO)², or a family member or close associate of a PEP or HIO.

- ▶ Required to meet AML Requirements.

▶ What is your investment knowledge and experience?

- ▶ Helps the dealing representative understand how best to communicate with you and assess your potential level of reliance on advice given to you.

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1 Generally these are individuals who hold senior positions or senior offices with either Canadian or foreign governments.

2 Which is established by governments of states or head of institutions established by an international organization.

▶ **What is your income?**

▶ Income is part of the determination of your financial circumstances, which in turn is required by securities law to be considered in determining suitability of investments recommended to you. Also this information may be required to determine whether you are eligible to invest.

▶ **What is your spouse's income?**

▶ In cases of investment in prospectus-exempt securities, this information may be required to determine whether you are eligible to invest.

▶ **What is your net worth, net financial assets, total investments in exempt securities (if applicable)?**

▶ These pieces of information are part of the determination of your financial circumstances, which in turn is required by securities law to be considered in determining suitability of investments recommended to you. Also this information may be required to determine whether you are eligible to invest.

▶ **What is your risk tolerance – generally, and specific to this account?**

▶ Risk tolerance is required by securities law for suitability determination.

▶ **What is your time horizon for this account? In other words, when do you need money from the sale of the investments in this account?**

▶ Helps in suitability determination.

▶ **What are your investment objectives for this account?**

▶ Required by securities law and helps your dealing representative determine suitability of proposed investments.

▶ AML Requirements include keeping records of intended use of the account, e.g. investments for eventual payment of children's education, investments for retirement, investments of the retained earnings of a corporation.

▶ **What is your source of funds for your investment?**

▶ AML Requirement.

▶ **Are you borrowing money (using leverage) to pay for this investment?**

▶ Helps in suitability determination.

▶ **Your dealing representative should ask you to sign the form after you have had a chance to review the information for accuracy**

▶ Required to meet AML Requirements, and is good practice in that your dealing representative knows you are in agreement with the information on the form.

You may be asked to confirm receipt of certain disclosures that must be made to you, including:

- ▶ Relationship disclosure information document
- ▶ Relevant offering documents, such as an Offering Memorandum
- ▶ Leverage risk disclosure document, if relevant
- ▶ Referral arrangement agreement, if relevant

Keeping information current

Your dealing representative is generally required to keep your information up-to-date and is required to ensure your information is current at the time of a transaction. You should tell your dealing representative about any major changes in your personal circumstances, such as when you get married, have a child, get a new job or other events that might change suitability recommendations due to a different risk tolerance, financial ability to withstand loss, or change in investment objectives for the account.



What is your role as an investor?

Finding the right dealing representative is important, so take time to conduct due diligence to ensure you are selecting a dealing representative and a firm that are in the best position to help you achieve your investment goals. As a start, you should check to ensure both your dealing representative, and the firm, are registered with the securities commission in your province. You can go online, to checkfirst.ca to check registration status of your dealing representative.

Ask potential dealing representatives about how they would go about meeting your investment needs. What products and services do they offer? Do they specialize in certain kinds of investments or offer a wide range? Given that exempt market dealers cannot offer all the types of investments you are potentially interested in investing in, how will you get access to those products? What fees do they charge? What types of investors are they most experienced in advising? Are they providing you with independent/unbiased advice in relation to the products recommended, or do they sell products of related companies? You may want to check references.

Once you have selected your dealing representative, you must be honest about your investment needs and objectives, risk tolerance, and financial circumstances so that your dealing representative can provide you with suitable investment alternatives and help you reach your investment objectives. Ensure the information on the Know Your Client form is correct. Ensure you keep the firm up to date on any major life events.

It is critical to review documentation provided to you by your dealing representative. Read the relationship disclosure information document carefully and ask questions if you do not understand something; for example, make sure you understand the costs and fees associated with any proposed investment, including any administration fees or deferred sales charges or any embedded fees/charges such as trailer fees or management fees.

Read information about the investments recommended to you. Ask questions about your investments so you understand the decisions you are making. Keep documentation that explains your investments, and consider taking notes of conversations and important information. You are responsible for making the decision on whether to invest in what is recommended to you. You do not have to invest in something recommended to you, especially something that does not meet your investment needs and objectives, risk tolerance, or time horizon. You should also review your trade confirmations and account statements for accuracy. Ask questions if you do not understand something your dealing representative says, or if something you have received in your statements or trade confirmations does not make sense to you.

Visit the ASC's website at www.albertasecurities.com for more information about investing.

If you feel the firm or dealing representative has not met the obligations owed to you, for example, treated you unfairly, or has made an error resulting in financial loss to you, you should communicate your concerns in writing to the firm. If the firm does not resolve your concern, you can communicate your concerns to the Ombudsman for Banking Services and Investments (contact information and how to file a complaint is found at www.obsi.ca), or the firm's regulator.

