

Opening an Investment Account: A Guide for Investors


Investment Industry Regulatory
Organization of Canada

Protecting Investors and Supporting
Healthy Capital Markets Across Canada



Opening an investment account

Opening an investment account has major implications for your financial future. An IIROC-registered advisor can help you answer important questions and recommend the most appropriate investments for your individual circumstances. It's vital that the investments made through your account fit your current situation and your plans for the future.



Questions you may be asked

It's essential that your advisor gathers the information needed to understand your unique situation in order to recommend investments that are suitable for you. IIROC's rules require that advisors understand or know their clients. This is done by asking you a series of questions.

Your advisor may ask:

- How much do you know about investing?
- What is your financial situation?
- What are your investment needs and objectives?
- How long is your time horizon?
- How much risk are you willing and able to tolerate?

Investment dealers, also called investment firms, must meet regulatory requirements and may be unable to open an account if investors are unwilling to provide certain personal information.

"Why so many questions?"

Firms and individuals working with you must make recommendations suitable to your circumstances. This IROC rule applies whether your advisor recommends the transaction or it is your own idea.

Before proposing any investments or activity, your advisor must work with you to determine what types of investments fit your immediate and long-term financial needs. To do this properly, your advisor must obtain an accurate and complete understanding of your personal and financial information.

To determine which investments are suitable for you, your firm and advisor need your and your spouse's:

- personal and financial circumstances
- investment needs and objectives
- investment time horizon
- investment knowledge
- risk profile (your willingness and ability to tolerate risk)

While this is a lot of personal information, it allows your advisor to recommend investments suitable to your present circumstances and your financial goals.

Your advisor is also required to keep this information current. Depending on the type of account you have, your advisor may check in with you every one to three years to confirm your information remains accurate, or more frequently if needed. As your circumstances may change over time, you should keep your advisor up to date on any changes to the information above.

"I don't have an advisor. Do these requirements still apply to me?"

Please note that if you have chosen the "do-it-yourself" route and opened an order execution only (OEO) account, the requirements are not the same. These firms are not permitted to provide advice. OEO firms are investment dealers who allow self-directed investors to execute transactions and are not permitted to provide their clients with investment recommendations. OEO firms are exempt from determining suitability. They do not need to collect all suitability information. However, these firms still need to obtain certain client financial information in order to meet their account appropriateness assessment, anti money laundering and other obligations.

Your firm and advisor will ask you to provide the name and contact information of a Trusted Contact Person ("TCP"). A TCP acts like an emergency contact for your account, although they cannot make financial decisions or account changes.

A TCP should be an individual you trust. Your firm and advisor can use them to help protect you in possible circumstances of financial exploitation or where they may have concerns about mental capacity. A TCP can also be a resource to help safeguard your assets when there is an emergency or potentially suspicious activity. Your firm and advisor will not contact a TCP unless you provide consent, and you can specify restrictions about when a TCP may be contacted.

It is generally not recommended that an individual who has been appointed as a power of attorney for your account also be named as your trusted contact person. This is because this dual appointment increases the risk of financial exploitation in instances where the power of attorney is not acting in your best interest.

Questions to ask an advisor

- What are your qualifications?
- What is your investment philosophy/approach?
- How are you compensated?
- What kind of products can you sell?
- What kind of return can I reasonably expect on my investments?
- How frequently do you communicate with your clients?
- Will you be the only person from your firm working with me?

Always obtain information on the advisor, including whether the advisor has a disciplinary history, by accessing the relevant IIROC AdvisorReport at [IIROC.ca](https://www.iiroc.ca)

Other requirements



To meet both IIROC and legal requirements and to protect against money laundering and fraud, advisors/firms must obtain certain information when you open an account, including:

- Your full legal name
- Your citizenship
- Spousal information
- Verification of identity
- Home address
- Home, cellular, business numbers, and email address
- The intended use of your account—for example, for income or as a long-term investment
- Whether any other individuals have a financial interest in or trading authority over your account
- Whether you are an insider of a publicly traded corporation

Complying with rules, legislation, regulations and agreements



Advisors/firms ask for this information to comply not only with IIROC rules, but also federal legislation (such as anti-money laundering and tax legislation), securities regulations and/or international agreements. Information required under such laws includes:

- Full legal name and date of birth
- Occupation
- Politically exposed persons*
- Third parties with a financial interest or trading authority over your accounts
- Intended use of your account (i.e., income or long-term capital appreciation)
- Source of funds
- Your signature
- Social insurance number
- Citizenship

To validate this information, you may be asked to provide the following original documents:

- Passport
- Driver's licence
- Proof of citizenship
- Birth certificate (for applicants under 21)

*Some information required by government might apply to only a small number of people – but you'll still be asked, for example, whether you or a family member has ever held a prominent position with a domestic or foreign government or international organization, making you a "politically exposed person," potentially subject to bribery or blackmail. This question seems odd, but it's required under federal anti-money laundering legislation.

For more information on applicable government regulations and legal requirements, visit www.fintrac-canafe.gc.ca (or www.iiroc.ca).

Different accounts, different information



You will be asked for additional information depending on the type of account you open. For example:

- If you open a corporate account, you will be asked to provide information on any beneficial owners and directors.
- If you open a trust account, you will be asked to provide information on trustees, beneficiaries and anyone else who exercises control over the affairs of the trust.
- If you open a margin account, you may be asked for more financial information so that firms can determine your credit-worthiness.

Sign here



You'll be asked to provide an electronic signature or to physically sign a number of documents to provide your consent. For example:

- Your advisor must ask for your consent to have account-related documents sent to you by email.
- You must acknowledge that you have read and understand the firm's privacy policy, which sets out when the firm can share your personal information.
- Your advisor must obtain your instructions on whether you want to receive information materials from companies that issue stocks, mutual funds and other investments.

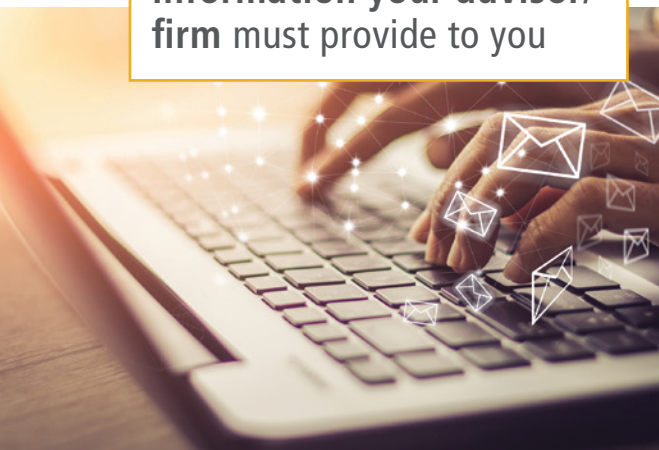
Make sure you read and fully understand any document before you sign it. Ensure that all of the information is accurate since these documents may be relied upon in the event of a dispute. If you're not sure about something, ask questions.

Privacy



Under federal and/or provincial privacy legislation requirements, you will be asked to acknowledge that you have read and understand the firm's privacy statement, which sets out when and how your firm may use your personal information.

Information your advisor/ firm must provide to you



Your advisor/firm must also give you information, such as:

- IIROC's brochures:
 - "How IIROC Protects Investors,"
 - "An Investor's Guide to Making a Complaint," and
 - "How Can I Get My Money Back?"These explain your rights and responsibilities as an investor with an IIROC-regulated firm.
- A Relationship Disclosure Agreement, which outlines the firm's products and services, fee structure, account relationships and more.
- Whether there are service or referral fees.
- Risks associated with borrowing money to buy securities.

- Risks associated with trading futures or options for options and futures accounts.
- If the dealer shares premises with another financial services business.
- If the firm trades or advises on their own securities, for example, if your advisor recommends the stock of the company for which they work. This would also apply to the securities of issuers related to or connected to the firm.

To learn more, click on the Investors' section at www.iiroc.ca.

Questions? Call us at 1-877-442-4322. IIROC has a dedicated Complaints & Inquiries department and staff available to help answer your questions.

About IIROC



The Investment Industry Regulatory Organization of Canada (IIROC) regulates all investment dealers and the IIROC-registered representatives (commonly referred to as advisors) they employ in Canada. IIROC sets high regulatory standards for the investment industry to protect investors and strengthen market integrity. IIROC monitors and enforces rules for the business conduct and trading activity of these investment firms and their individual investment advisors.

For more information,
see www.iiroc.ca

Questions?

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