KYC + KYP Checklist

Mandatory KYC fields under NI 31-103 §13.2, firm-level + rep-level KYP, risk profile construction, concentration analysis.

16-point mandatory KYC fields

- Full legal name, date of birth, SIN
- Residential address (verified)
- Employment (employer, occupation, industry)
- Annual income, net worth, liquid net worth
- Investment objectives (income, growth, capital preservation)
- Time horizon (short, medium, long)
- Risk tolerance (subjective willingness)
- Risk capacity (objective ability to absorb loss)
- Investment knowledge (none, basic, good, sophisticated)
- Trusted contact person (encouraged, opt-in)
- Citizenship + tax residency (FATCA + CRS)

Firm-level KYP (CIRO Rule 3300)

- Product due diligence: structure, risks, costs, target market
- Approved-shelf decision documented
- Periodic re-review of approved products

Rep-level KYP

- Understand any product before recommending
- Know features, fees, risks, comparable alternatives
- Document the basis for the recommendation

Risk profile construction

- Risk tolerance is the client's subjective willingness
- Risk capacity is the objective ability to absorb losses
- Lower of the two governs the recommendation
- Document the basis for both numbers

Concentration analysis (account-as-a-whole)

- >10% in a single security: flag for review
- >20%: typically requires written client acknowledgement
- Sector and geographic concentration also matter

5 KYC trigger events that re-open suitability

- Material change in client income, employment, dependants, marital status, or net worth. Document the source.

- Material change in client's stated investment objectives or risk tolerance. Captured during periodic reviews.
- Account transfer to a new advisor or new firm. Inherited KYC is not valid; collect fresh information.
- Client requests a leveraged investment (margin loan, investment loan). Triggers a borrowing-to-invest suitability assessment.
- Annual review for managed accounts. Required under CIRO Rule 3402 regardless of whether other triggers occurred.

KYP for proprietary vs third-party products

Proprietary products (in-house mutual funds, branded ETFs) require KYP plus a documented review of the product's role on the firm's approved list. Third-party products require KYP plus due diligence on the issuer and confirmation that the product is on the firm's distribution shelf. CIRO supervisors look for both records during exams. Missing third-party due diligence is the most common KYP audit failure.

KYP elements every rep must know

- Product structure: open-end mutual fund, closed-end fund, ETF, segregated fund, structured note, principal-protected note, GIC. Each has different liquidity, valuation, and disclosure rules.
- Fee structure: MER, trading expense ratio (TER), front-end loads, deferred sales charges, switching fees. Total cost of ownership over the client's expected holding period.
- Risk classification: low, low-medium, medium, medium-high, high. Must match or be below the client's risk tolerance ceiling.
- Time horizon match: short-term-needs money should not go into long-duration products. Bond fund duration aligns with the client's expected holding period.
- Tax treatment: capital gains, dividends, return of capital, foreign tax credits, T-slip type. Affects after-tax return.
- Issuer or sponsor: credit rating for debt products. Sponsor reputation and track record for managed products.

Worked KYC-KYP integration: recommending a specific product

Client: 42 years old, moderate risk tolerance, 20-year time horizon, $50,000 in unregistered savings. Considering an Asset Allocation ETF.

- KYC confirms: moderate risk tolerance + 20-year horizon makes a balanced 60/40 fund suitable.
- KYP on the ETF: medium risk classification matches. 0.20% MER is low. Quarterly rebalancing. Distributions taxed as combination of dividends, interest, capital gains based on holdings.
- Recommendation documentation: include both the KYC summary AND the KYP findings. The supervisor reviews both during trade approval.

Read the live cheat sheet

Trigger events, KYP for proprietary vs third-party.

https://registrantprep.ca/cheat-sheets/kyc-kyp-checklist