RSE Suitability Checklist

KYC triggers, NI 31-103 §13.2/§13.4/§13.5, CIRO Rule 3401 + 3402, concentration thresholds.

16-point KYC trigger events

- Change in income, employment, or pension status
- Change in dependants (marriage, divorce, birth, death)
- Change in investment objectives or risk tolerance
- Change in time horizon or liquidity needs
- Material change in net worth or debt
- Inheritance, lawsuit settlement, lottery
- Retirement or imminent retirement
- Change in residency or citizenship status
- Change in beneficiaries or trusted contact person
- Trigger of any internal firm threshold for refresh

NI 31-103 mandatory KYC content (§13.2)

- Personal details: name, address, date of birth, SIN, employer
- Financial details: income, assets, liabilities, net worth
- Investment objectives, time horizon, risk tolerance, risk capacity
- Investment knowledge level
- Identity verification per PCMLTFA

Suitability thresholds (firm policy specific)

- Concentration flag: typically >10% in single security
- Acute concentration: typically >20%
- Lower of risk tolerance and risk capacity governs
- Account-as-a-whole assessment under CIRO Rule 3402

Borrowing-to-invest pre-trade disclosure (NI 31-103 §13.13)

- Required when client uses borrowed funds to purchase securities
- Includes risk of margin call, magnified losses, interest cost
- Must be in writing, before the trade

Common KYC documentation gaps that fail audits

- Risk tolerance recorded but risk capacity missing. CIRO Rule 3402 requires both. The lower of the two governs.
- Investment objectives expressed as percentages that do not sum to 100%. Common rejection during branch supervisor review.
- Time horizon set to default value (often 5 years) without confirmation. Branch supervisors should reject KYC forms with unverified default time horizons.
- Concentration thresholds not flagged on existing positions over 10%. Suitability is account-as-a-whole, not per-trade.

- OBA (Outside Business Activity) field blank when client is self-employed. Always pre-fill with the client's primary occupation.

KYC trigger events that require a refresh

Material change (job loss, marriage, divorce, inheritance, retirement, change in dependants), every 12 months for managed accounts, OR any trade that materially changes the account-as-a-whole suitability profile. Document the trigger event in the file, do not just update the form quietly.

KYC content matrix: required fields by account type

- Retail cash account: identity (full name, DOB, SIN, address), employment, income, net worth, investment objectives (% growth/income/preservation), risk tolerance, risk capacity, time horizon.
- Retail margin account: all of the above PLUS leveraging acknowledgement, source of investible funds, prior margin experience.
- Options account: all margin requirements PLUS options experience, ability to absorb potential losses, suitability of each option strategy level.
- Managed account: all of the above PLUS investment mandate, performance benchmark, fee schedule, discretionary authority documentation.
- Pro-trader account: relaxed retail KYC, but the firm still maintains a record of professional status and trading history.

OBA (Outside Business Activity) disclosure

OBA disclosure is required when a registered representative engages in any business outside the dealing rep role. Includes board memberships, consulting, real estate, family businesses. The firm must approve before the rep starts the OBA.

- Conflict-of-interest disclosure is SEPARATE from OBA. OBA disclosed to firm. COI disclosed to client.
- Self-employed clients: their OBA does not require firm approval (they are clients, not employees), but it IS a KYC data point about their financial profile.

Read the live cheat sheet

Mini-quiz, KYC content matrix, OBA disclosure.

https://registrantprep.ca/cheat-sheets/rse-suitability-checklist