RSE Suitability Checklist

KYC triggers, NI 31-103 §13.2, IDPC Rules 2554, 3115, 3214 and 3402, concentration thresholds.

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)

- Identity: full legal name, date of birth, address
- Financial details: income, assets, liabilities, net worth
- Investment objectives, time horizon, risk tolerance, risk capacity
- Investment knowledge level
- Identity verification per PCMLTFA
- Also required: whether the client is an insider of a reporting issuer, and creditworthiness if the firm finances the purchase

Suitability thresholds (firm policy; CIRO rules set no percentage)

- Concentration flag: typically >10% in single security
- Acute concentration: typically >20%
- Risk profile: the more conservative of risk tolerance and risk capacity (CIRO Bulletin 26-0200)
- Account-as-a-whole assessment under CIRO Rule 3402

Leverage risk disclosure (IDPC Rule 3217)

- Given when a retail account is opened, before recommending the use of borrowed money, or on first learning the client plans to borrow to invest
- Warns that the loan and interest must be repaid even if the securities fall in value; also discuss margin calls and magnified losses
- The client must positively acknowledge receiving the statement

Common KYC documentation gaps that fail audits

- Risk tolerance recorded but risk capacity missing. CIRO Bulletin 26-0200 (Sept 10, 2026) expects both to be assessed and documented; the risk profile is the more conservative of the two.
- 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.

KYC trigger events that require a refresh

Material change (job loss, marriage, divorce, inheritance, retirement, change in dependants), at least every 36 months (every 12 months for managed and discretionary accounts) under IDPC Rule 3209(4), 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