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# Big fat questions to get clients talking

## Fulfil your KYC obligations without infringing on client privacy

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Advisors are caught between a rock and a hard place with the client-focused reforms' know your client (KYC) obligations. On the one hand, regulators will audit for sufficient detail to support each item on the KYC form; on the other, advisors are met with clients' resistance, asserting their right to privacy. How much information is enough to support KYC, and how do you get clients to give you information without asking for it directly?

While I can write an entire book on what you need to know for each item on the KYC form (I already wrote two!), the regulators require advisors to collect sufficient detail about each client to enable them to exercise their professional judgment to meet their suitability obligations.

The standard is the same as that for a doctor. If you go to a doctor and ask for a certain medication — say, a sleeping pill — and the doctor doesn't examine you and ask questions to collect data to support a diagnosis and the choice of prescription, which may or may not be a sleeping pill, the doctor risks allegations of negligence.

The doctor is also obliged to keep contemporaneous notes so that, if faced with a patient's complaint or regulatory audit alleging that the diagnosis and treatment was wrong (negligent), the detailed notes support the reasonableness of the advice provided (even if wrong). This same standard applies to advisors (see *Rhoades v. Prudential Bache* (1992) 11 B.C.A.C. 13 (CA)).

Therefore, to protect yourself, try to be objective and review your notes to satisfy yourself that you have sufficient evidence to support each KYC form and the advice provided to every client.

So, how is an advisor to collect KYC information, particularly from new clients who assert their right to privacy?

I suggest you avoid questions concerning their assets and liabilities until you get to know them. Asking what I call "big fat questions" will give you a better understanding of what the client is about and lead to the client to volunteer this information without you even asking.

This process takes much longer than just treating the KYC form like a tick-the-box exercise — an approach that the regulators have specifically cautioned against. You cannot advise your clients effectively without knowing and understanding them, and for that you need to know their personal information. Big fat questions will lead to you knowing your clients better (regulatory requirement) and also earning their trust (business building) because they will feel that you care about how they think and what their values are. Here are just a few examples of big fat questions:

- What are your goals and dreams?
- What has motivated you to work so hard at …?
- What do you enjoy most in your life?
- What do you look forward to?
- What is the key to your success in … (e.g., business)?
- How was your business started and by whom?
- When do you intend to retire?
- Do you think you will work for that company for the rest of your career?
- What is it that you are most proud of in your life?
- What would you change if you could change something in your past or present circumstances?
- What did your parents do for a living?
- How many siblings do you have? Do they live close to you, and do you see them much?

Asking these or any other big fat questions is an exercise in futility if you don't also do the following:

1. Leave complete silence after you ask each question. The questions may relate to issues your clients never thought about or articulated before and thus they will likely need to consider the answer.

2. Listen carefully to the answers. Every client has their own personal story, and if you don't take the time and listen carefully, you will miss the nuances and the opportunity to get to know them better.

3. Ask follow-up questions to get a deeper understanding of the clients' answers and circumstances. Again, be silent after you ask the follow-up questions.

4. Be genuine and interested. People like to talk about their successes and challenges, but you need to probe and be genuinely interested.

5. Spend the necessary time. If you are rushed or not finished in one session, schedule another.

If you follow these instructions and let clients talk, they should volunteer their private information required for the KYC form. After the conversation, you can confirm the accuracy of the information that you need for the form, and if you didn't get it right, the client can correct you. Here is an example.

Advisor: "What is it that you are most proud of in your life?" (Leave silence allowing the client to think.)

Client: "I came from nothing. My parents were immigrants and worked in factories to support their four children — I am the youngest — and I built this successful company with my sisters, and we can now support my parents."

Advisor: "How did you start your business and grow it to the success it is today?"

Client: "It's a real estate business, and I studied real estate and got my licence. But I didn't want to be a real estate agent; I wanted to buy houses and see if I could improve them and sell them at a profit. I also wanted to help others in my community, so I rented below market but still covered my costs. I started with one house and it grew from there so that I needed my sisters to work with me. I trust them, and I get to see them every day."

You can ask more questions about the client's business — how she finances it, how much debt she carries for each property, what the business model is. You can also ask how the client's life has changed and influenced the upbringing of her children, which can inform you of personal cash flow.

One question can lead to the next. When the conversations with each client end, you will have most of what you need to understand about the clients' values and what their assets and liabilities are, without specifically asking.

Your clients will feel you genuinely care — if indeed you do — and will likely be inclined to share more information with you. You will become someone clients want to talk to and trust, which is how you develop meaningful relationships. From there, clients will inevitably send you referrals.

So, instead of KYC rules putting you between a rock and a hard place, use big fat questions to kill two birds with one stone: you get sufficient KYC information to permit you to fulfil your new regulatory requirements and you also build your business through client trust.

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