

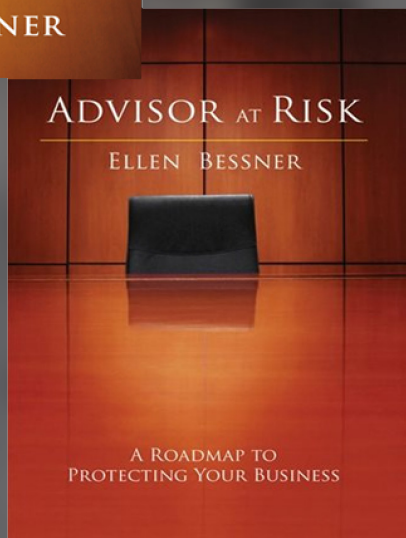
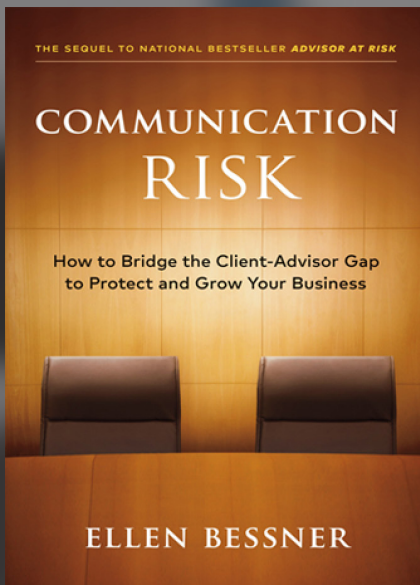
# KNOW YOUR PRODUCT

## (KYP) CHEAT SHEET

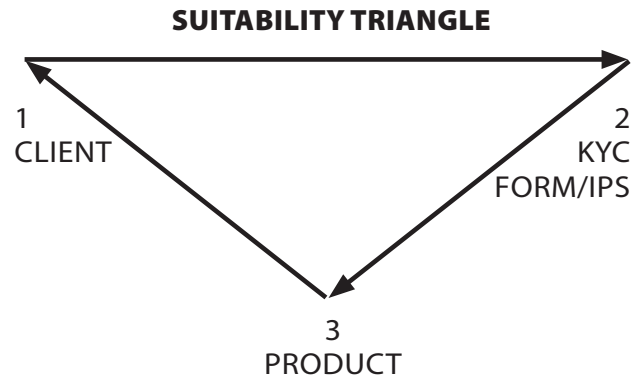
### ADVISORS: KNOW YOUR PRODUCT

Advisors put themselves at risk when they fail to **UNDERSTAND, PROPERLY EXPLAIN, ENSURE SUITABILITY** and **FOLLOW FLUCTUATIONS** of all products they recommend to clients.

Protect yourself by integrating these overarching principles into your daily routine and create a paper trail to prove KYP.



# PRODUCT



### UNDERSTAND THE PRODUCT

#### ACQUIRE IN-DEPTH KNOWLEDGE

Read materials on each component of the product and keep a file of the materials you read, including prospectus, reports, analysis and diagrams.

#### UNDERSTAND PRODUCT RISKS AND LIMITATIONS

Don't just focus on the benefits!

#### DRILL DOWN WITH THE PRODUCT SPECIALIST

Find out about product components, features, risks, market impact and costs at marketing presentations with product specialists and presenters.

#### ASK FOR MATERIALS

Make the road show work for you by asking for materials and tools to help explain the product to the client.

#### FOLLOW PRODUCT FLUCTUATIONS

Follow products and monitor for changes that could impact risk - market, industry, corporation, product mix, etc.

#### KEEP PAPER TRAIL

What did you review, understand, inquire?

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## EXPLAIN THE PRODUCT

### TAKE A BALANCED APPROACH

Don't over-emphasize perceived positive attributes of a product.

### USE PLAIN LANGUAGE

Avoid acronyms and complicated descriptions.

### ASCERTAIN CLIENT SOPHISTICATION

Determine a client's ability to wholly understand the product.

### PROVIDE AN IN-DEPTH EXPLANATION

Use charts, graphs and other available materials appropriate to the client's ability to understand.

### USE THE PROSPECTUS

In particular, refer the client to explanations of the product risks and the investor profile for the product.

### DON'T JUST SEND MATERIALS

Unless you can prove the client is already knowledgeable and will actually read the materials don't just send them. Instead, discuss and maintain dated notes and materials in the client's file that proves that you have explained the product.

### EXPLAIN THE COSTS

Including all fees/commissions.

### DON'T RELY ON SILENCE - ENGAGE IN DIALOGUE

Silence is NOT an indicator that the client understood. Make sure the client asks questions and takes detailed notes of the discussion and the questions asked.

### KEEP ALL EMAIL EXCHANGES

Letters and notes of explanations and discussions should be filed for future reference.

### CREATE AND USE A CHECKLIST

Provide a checklist to the client and mark them up during the discussion, then place in the client file.

### FOLLOW REGULATORY OBLIGATIONS

Regulatory obligations should be adhered to.

## DETERMINE SUITABILITY

### DETERMINE CLIENT SOPHISTICATION & KNOWLEDGE

Compare a client's suitability to the product complexity to determine if the risk profile is compatible with the product.

### COMPARE CLIENT RISK PROFILE

Compare client risk with the product features that contribute to the risk, including market fluctuations.

### UNDERSTAND THE PROTECTIONS & GUARANTEES

Know the limitations of the product protections (PPN) because products with guarantees are not necessarily low risk.

### CONSIDER THE DIVERSIFICATION OF THE PORTFOLIO

This factor is key when determining suitability!

### PRODUCT FLUCTUATIONS

Keep client apprised of problems and successes.



Ellen Bessner's books, *Advisor at Risk* and *Communication Risk*, are available in volume discounts (over 10 copies).

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*This is not legal advice; kindly consult a lawyer for advice required.*

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