185 Frederick Street, Suite 101, Toronto ON, M5A 4L4

416 408 3999 ▪ ebessner@babinbessnerspry.com ▪ www.babinbessnerspry.com

Build your business one KYC update at a time

Why KYC updates have never been more important to your success

By Ellen Bessner, BABIN BESSNER SPRY LLP

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You just received an email from compliance that says you are overdue updating 147 know-your-client (KYC) forms. It is one month before the RRSP deadline and you have several more clients to contact. You are below target, but if you close on all outstanding RRSPs for your clients, you might hit your target. Your priority is getting new money in the door, so if the KYC forms are not updated until after the RRSP deadline, big deal!

Advisors and portfolio managers (PMs) are entrepreneurs first and registrants second. That means building your business — both by adding new clients and adding assets from existing clients — is your number one priority, no matter what time of year. Compliance — especially updating those KYC forms — is never a priority.

But knowing your clients and updating KYC forms can be integrated into your business to help it grow. Here is how and why a new approach to knowing your clients can help build your business:

1. Don't you want to meet or exceed your clients' expectations by investing their money suitably for them at all given times? You can only do that if you know your clients as they change from day to day, week to week and year to year. Everyone is changing all the time, even if it is only their age and health. However, many clients change their jobs, sometimes their vocations or their marital status — and those are just a few examples. Their financial security can change unexpectedly more often than we like to think about. Your clients will never be satisfied with you if you don't take the time to know them and their changing circumstances.

2. Don't you have a natural interest in your clients' lives and how they change? If you follow how they have changed, you will know how to meet their needs more effectively. How will you know if your clients had a successful year at work and have more disposable income to invest? Or how

will you know if they had a tough year and you can earn their trust by helping them ensure they have the required liquidity to allow them to meet their changed obligations and sleep at night?

3. Knowing your clients is the basic requirement of any successful business person. The sales books I have read — both relating to financial services and other industries — confirm you can only meet your clients' needs if you understand their values, concerns, hopes and dreams. If you understand how you can help your clients and seek to do so, you are bound to meet with greater success.

4. As the average age of the population increases, a financial plan becomes even more important to ensure clients have enough money to support themselves for the rest of their lives. If you do not update their personal information you will not know what needs to be adjusted in their financial plan and you risk missing the mark.

5. As a litigator, I know that clients sue when they are surprised. Knowing your clients, updating their plans and changing their spending habits might help you avoid lawsuits. I have defended lawsuits commenced by older clients who are surprised when they learn that their spending habits might lead to them running out of money and they blame their advisor/planner for not directing them in advance to stop spending. They may say that you were their "financial planner" and should have alerted them that the decisions they made or the circumstances that changed would impact their future.

6. Continuing in this industry depends on you keeping your licence — without it, you are not permitted to advise clients. If you do not make compliance an important part of your business you will be caught off guard, like most of my clients. When they retain me to defend them for an infraction, they often say, "I have your books. I will read them now."

7. Information about every advisor/PM and dealer/firm is readily available on the web, so if there was an infraction, it will be public. Your unblemished competitors, vying for the same clients, can point out the trouble you have had with your regulators, particularly as it pertains to investing unsuitably for clients. If the web describes your failure to update KYC forms in the context of clients losing money in high-risk, unsuitable investments, that will tip the scale in favour of the competition, don't you think?

Until now, there may have been internal firm policies setting deadlines by which you had to update your clients' KYC forms. However, instead of the regulators leaving it to the dealers/firms or advisors, there is a change within the client-focused reforms that sets new requirements for KYC updates: every 12 months for PMs, every 36 months for advisors, and within 12 months of making a trade or recommending one to a client for exempt market dealers (see National Instrument 31-103 and Companion Policy 31-103CP s. 13.2(4.1)).

If you wait until compliance taps you on the shoulder, you may find yourself behind the eight ball. Instead of letting that happen, change your approach and meet with clients regularly to update their information. It is the only way to keep your licence and reputation intact, but it is also the best way to grow your business.