

MFDA Investor *Bulletin*



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NOVEMBER 2017 **FINANCIAL LITERACY MONTH**

November is **Financial Literacy Month** and to mark the occasion this edition of the Mutual Fund Dealers Association of Canada (“MFDA”) Investor Bulletin focuses on providing you with key information to help you become a more informed investor.



Suitability

Have you ever wondered why you have to provide certain information to your advisor such as your annual income, net-worth and risk tolerance when you open an account? The reason you must provide this information is that under MFDA rules mutual fund dealers and their advisors have an obligation to make investment recommendations that are suitable for their clients. This is called the **suitability obligation**.

The **suitability obligation** requires mutual fund dealers and advisors to determine whether a particular investment is appropriate for a particular client. In order to perform this obligation your advisor must collect some basic personal information (known as **Know-Your-Client or KYC Information**) from you so that your advisor is aware of your financial situation, risk tolerance, investment needs

and objectives. With this information your advisor can make suitable investment recommendations according to your personal and financial circumstances.

There are several required elements to performing the **suitability obligation**. The main elements are set out on the next page.



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels



KNOW-YOUR-PRODUCT

An advisor must know the essential facts and features of any mutual fund or investment product that they recommend. This would include but is not limited to understanding the risks and costs associated with an investment.



PROFESSIONAL JUDGEMENT

With the knowledge of the client and the products available an advisor uses professional judgement to make an appropriate investment recommendation to the client.



KNOW-YOUR-CLIENT

An advisor must know the essential facts about a client prior to making a recommendation. This should be done through a discussion with the client. During the discussion investment needs and goals, capacity to withstand losses and attitude towards risk, among other factors should be addressed. This discussion should form the basis for assisting clients in completing the client's **KYC Information**.



DISCLOSURE

An advisor is required to disclose material negative and positive factors involved in recommending investments or an investment strategy to the client for the purpose of assisting a client in making an informed decision about whether to proceed with the recommendation.



Keep your KYC Information Up-to-Date

It is important that you contact your advisor whenever there is in a material change to your KYC information such as your income, risk tolerance, or stated investment objectives that may result from life events such as:

- Change in marital status
- Changes in employment
- Long-term illness
- Significant changes to financial resources



When You Have a Complaint

Clients of a mutual fund dealer who are not satisfied with a financial product or service have a right to make a complaint and to seek resolution of the problem. MFDA Member dealers have a responsibility to their clients to ensure that all complaints are dealt with fairly and promptly. If you have a complaint, here are some steps you can take:

1. CONTACT YOUR MUTUAL FUND DEALER

The dealer is responsible to you for monitoring the actions of their advisors to ensure that they are in compliance with MFDA by-laws, rules and policies. The dealer will investigate any complaint that you initiate and respond back to you with the results of their investigation, in most cases within three months of receipt of the complaint.

2. CONTACT THE MFDA

The MFDA investigates complaints about mutual fund dealers and their advisors, and takes enforcement action where appropriate. You may make a complaint to the

MFDA at any time, whether or not you have complained to your mutual fund dealer. The MFDA can be contacted:



By completing the on-line complaint form at www.mfda.ca



By telephone in Toronto at (416) 361-6332 or toll free at 1-888-466-6332



By e-mail at complaints@mfda.ca



In writing by mail to:
121 King Street West, Suite 1000
Toronto, ON M5H 3T9
or by fax at (416) 361-9073



The MFDA does not order compensation or restitution to clients. If you are seeking compensation, you may consider contacting the Ombudsman for Banking Services and Investments ("OBSI").

3. CONTACT THE OMBUDSMAN FOR BANKING SERVICES AND INVESTMENTS

OBSI provides an independent and impartial process for the investigation and resolution of complaints about the provision of financial services to clients. OBSI can make a non-binding recommendation that your firm compensate you (up to \$350,000) if it determines that you have been treated unfairly, taking into account the criteria of good financial services and business practice, relevant codes of practice or conduct, industry regulation and the law. The OBSI process is free of charge and is confidential.

OBSI can be contacted:

 By telephone in Toronto at (416) 287-2877 or toll free at 1-888-451-4519

 By e-mail at ombudsman@obsi.ca

It is important to note that you may make a complaint to OBSI **after you have complained to the dealer**, at either of the following times:

- If the dealer's Compliance Department has not responded to your complaint within 90 days of the date you complained,

or

- After the dealer's Compliance Department has responded to your complaint and you are not satisfied with the response. **Please note that you have 180 calendar days to bring your complaint to OBSI after receiving the dealer's response.**

 Some organizations have an internal ombudsman that can review complaints that are not resolved by the dealer's compliance department. If you are not satisfied with the resolution of your complaint you may use the services of an available internal ombudsman, **but it is important to note that you are not required to do so before you file a complaint with OBSI, which is an independent dispute resolution service.**



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Mailing Address:

121 King Street West, Suite 1000
Toronto, Ontario M5H 3T9

Phone: (416) 361 6332 or 1 888 466 6332

www.mfda.ca