

Objective Suitability – FAQ

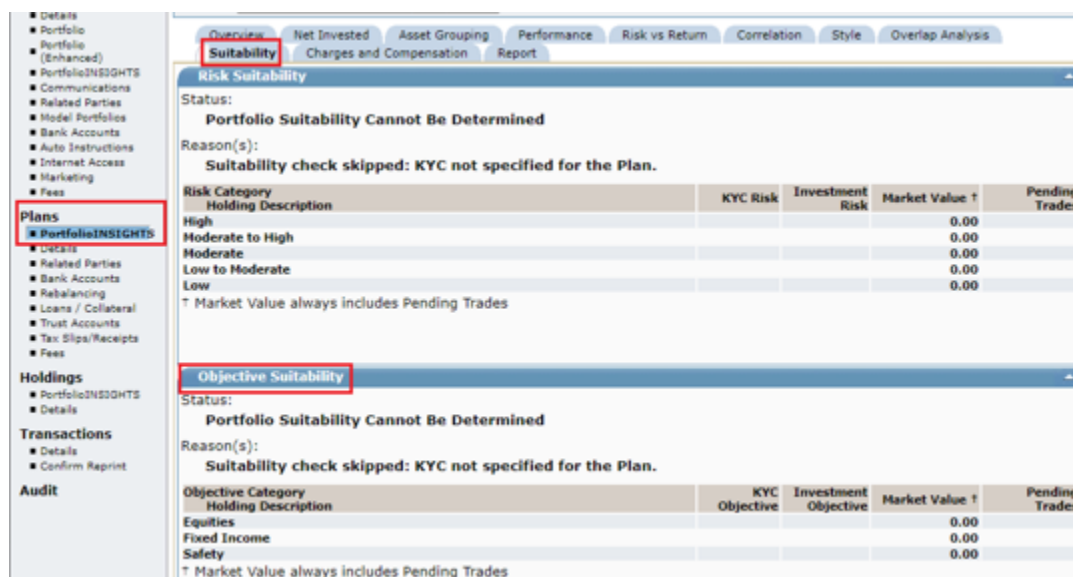
1. What is risk capacity and how do we assess it?

The term “risk capacity” refers to a client’s ability to withstand or endure financial loss. The client’s personal and financial circumstances, including how much the Investia account represents the total of client liquid net worth, must be considered when determining a client’s risk capacity. The objective factors to consider include, but are not limited to, the client’s age, income, net worth, liquidity needs (current and potential future cash flow needs) and time horizon.

For example, a client’s risk capacity for their TFSA account may be “Moderate” or “High” depending on their personal and financial situation as they are using it to save for a trip to Las Vegas, whereas the risk capacity may be “Low” or “Moderate” for the client’s RESP account as they are saving for their 16-year-old daughter’s university tuition.

2. How do I see if a plan is objective unsuitable?

In Univeris, under the “Plans / PortfolioINSIGHTS / Suitability” tab, the “Objective Suitability” section is where you will see if a plan is objective unsuitable or not:



The screenshot displays the Univeris interface with the following sections:

- Navigation Menu (Left):** Includes Details, Portfolio (Enhanced), PortfolioINSIGHTS, Communications, Related Parties, Model Portfolios, Bank Accounts, Auto Instructions, Internet Access, Marketing, Fees, Plans (highlighted), PortfolioINSIGHTS (highlighted), Holdings, Transactions, and Audit.
- Top Navigation:** Includes Outcomes, Net Invested, Asset Grouping, Performance, Risk vs Return, Correlation, Style, and Overlap Analysis. Sub-tabs include Suitability, Charges and Compensation, and Report.
- Risk Suitability Section:**
 - Status: Portfolio Suitability Cannot Be Determined
 - Reason(s): Suitability check skipped: KYC not specified for the Plan.
 - Table:
- Objective Suitability Section:**
 - Status: Portfolio Suitability Cannot Be Determined
 - Reason(s): Suitability check skipped: KYC not specified for the Plan.
 - Table:

Risk Category	Holdings Description	KYC Risk	Investment Risk	Market Value †	Pending Trades
High				0.00	
Moderate to High				0.00	
Moderate				0.00	
Low to Moderate				0.00	
Low				0.00	

Objective Category	Holdings Description	KYC Objective	Investment Objective	Market Value †	Pending Trades
Equities				0.00	
Fixed Income				0.00	
Safety				0.00	

† Market Value always includes Pending Trades

3. Do I have to update the KYC when a client wants to take a more defensive strategy temporarily?

Where a client temporarily deviates to a more conservative or defensive strategy from their investment strategy, as set out in their KYC profile, due to market volatility or for whatever reason, we expect Representatives to document the detailed discussion and reason for the deviation in Univeris, under the “Communications (or Plans)/Notes” section and have touchpoint discussions with the client within the year to review and amend the strategy accordingly.

When the situation seems to become more permanent (more than a year), or when the reason of the deviation is no longer applicable, the Representative must re-review and discuss the investment strategy with the client and determine if it has changed and/or if the KYC risk profile is still accurate, and rebalance the portfolio or update the strategy accordingly, while ensuring that notes are documented on file.

4. Why don't we have a "Balanced" asset allocation/objective category?

Considering the many different types of balanced funds available and that each fund managers mandate/investment strategies may differ from one another, we cannot have 1 broad "Balanced" category as an asset allocation.

Investia derives each of the asset classification objectives %s from the Canadian Investment Funds Standard Committee (CIFSC), which is why we have the defined 7 balanced fund asset categories that enables the Representative to find products better suited to their client's needs.

5. If a trade which is done in the best interest of the client brings the plan as objective unsuitable to the client's current KYC, do I have to update the KYC right away? For example, if we are redeeming from one fund where the market price has grown significantly compared to others in the client's plan?

Assuming that the suitability issue is not a temporary deviation from the client's investment strategy/KYC profile and that there are detailed notes for Branch Manager review and understanding, a compliance inquiry will be sent T+1 to the Representative as per the compliance inquiry resolution process illustrated below:

	WITHIN 2 BUSINESS DAYS	WITHIN 7 BUSINESS DAYS	WITHIN 21 BUSINESS DAYS
PBM/CBM/RBM sends inquiry on the same day of the review	<p>The Representative must respond to the inquiry to demonstrate they understand the inquiry and will prioritize and outline the resolution.</p> <p>The response should include:</p> <ul style="list-style-type: none"> • The action to be undertaken to resolve the situation; • The timeframe required to undertake this action. 	<p>Resolution of suitability inquiries (trades offside with risk profile, asset allocation suitability, time horizon suitability, inadequate fee structure, concentration risk, etc.)</p>	<p>Any other inquiries must be resolved. (missing initials, disclosure documents, etc.)</p>

6. Why are GICs considered "Safety" and not a "Fixed Income" products? Clients see the interest being paid on GICs as a form of income, so how do I explain to them it really isn't?

We categorize GICs as a "Safety" type of product because the principal is guaranteed/protected, whereas "Fixed Income" type products are not.

7. Why does Investia believe that 10% tolerance zone is appropriate for market fluctuations?

As both the securities and mutual fund industry standard is a 10% tolerance zone for market fluctuations, and it is very unlikely that the new Self-Regulatory Organization (“SRO”) will change this standard, Investia has adopted the same standard.

8. What tools does Investia offer to help Representatives rebalance their client plans?

Currently, when using the OrderXPRESS tool, a Representative may see the plan suitability, including proposed trades, before submitting to processing.

Additionally, our Risk & Objective Calculator (Excel sheet), although manual, may assist you with your client meetings. Please reach out to your Practice Management and Training Specialist (PMTS) for more information about this.

Should you have any questions or require information about objective suitability, please contact your Compliance Officer.