

## Registrant Outreach 2025 – Slido Questions

- Relying on an exemption (ie: AI or EI) for a subscription, is it expected that supporting docs are collected for how they qualify (ie: NW, NFA, income) or is the client KYC info and signing that the info/qualification is accurate sufficient.

If an issuer relies on an exemption for a subscription, they are required to comply with the requirements under NI 45-106 *Prospectus Exemptions*. Please review the guidance provided in section 1.9 of 45-106CP – *Responsibility for compliance and verifying purchaser status* - that clearly ties into a registrant's KYC obligations.

If an investor did not meet the requirements of the exemption or fall within another exemption, the registrant may be considered acting outside of its registration category contrary to securities regulation.

- If after confirming Risk Tolerance and Risk Capacity, the Risk Profile is determined as the lower of the two, please confirm that is considered an appropriate process of determining Risk Profile.

Response:

Firms should be mindful that the risk profile determination process is more than just asking clients to identify a single risk tolerance or risk capacity answer (for example, asking clients to choose from low, medium, or high) and then go with the lower of the two answers. Firms need to demonstrate that its process collects meaningful risk information that can be used as part of the suitability determination.

A process for determining risk profile should include:

- Steps to determine a client's willingness to accept risk (risk tolerance)
- Steps to determine a client's ability to endure potential financial loss (risk capacity)
- A conclusion on the client's risk profile, which should reflect the lower of the client's willingness to accept risk and the client's ability to endure potential financial loss.

The process for developing a client's risk profile should be supportable and reliable. The guidance from the CP states that the risk profile for a client should generally reflect the lower of (a) the client's willingness to accept risk and (b) the client's ability to endure potential financial loss.

- Can you provide an example of adequate documentation for suitability determination?

Response:

There are many ways for firms to keep records of suitability determination. In general, firms need to demonstrate that they have a suitability process in place that consider all the factors listed in section 13.2 of NI 31-103, and apply the process.

For EMDs, given the significant variations in business models, the level of documentation supporting suitability determination may vary depending on the circumstances, including the nature of the securities offered by the firm, the client's circumstances and investment objectives, and the relationship between the client and the registrant. Registrants should use their professional judgement in determining whether the documentation is adequate for suitability determination under the circumstances and demonstrate their compliance with 13.3 *Suitability determination* of NI 31-103. We encourage registrants to reach out to their relationship manager to discuss their individual circumstances and concerns.

For PMs, many firms often ask us what do we see as examples of suitability determination and documentation for firms that use model portfolios. Please refer to an example discussed in the [2024 CMR Annual Compliance Report Card on Model Portfolios and Suitability](#).