

Opening Your Retail Account

What your investment dealer
needs from you - and why



***Protecting Investors and Fostering Fair and
Efficient Capital Markets across Canada.***



About IIROC

The Investment Industry Regulatory Organization of Canada (IIROC) regulates all investment dealers in Canada. We set high quality regulatory and investment industry standards to protect investors and strengthen market integrity. We monitor and enforce rules regarding the proficiency, business, trading and financial conduct of these firms and their advisors.

What your investment dealer needs from you – and why

To open an account, you and your advisor will complete an account application together. You will also be asked to agree to the terms set out in a client account agreement. Your advisor's firm is required by IIROC rules and other laws to gather certain information about you. It may be unable to open an account for you if you are unwilling to provide this information.

This brochure sets out the basic information requirements for the initial application and ongoing maintenance of your account. Your firm may request additional information, depending on the type of account and the services you request.

Suitability/Know-Your-Client Requirements

Most investment firms are required to determine the suitability of each proposed transaction in your account. This applies whether or not the trades are the result of recommendations by the firm's staff.



To determine suitability, your firm and advisor need to fully understand your financial situation, investment needs, objectives, investing experience and tolerance for risk. These can only be assessed by collecting from you accurate information about your personal and financial circumstances. This requirement, part of the Know-Your-Client rule, is one of the cornerstones of securities regulation.

In order for your firm and advisor to comply with the Know-Your-Client rule, you will be asked to provide and keep up to date the following information:

- ❖ marital status
- ❖ age
- ❖ occupation
- ❖ income and net worth
- ❖ number of dependents
- ❖ risk tolerance
- ❖ investment objectives
- ❖ investment knowledge and experience

Some investment dealers have obtained exemptions from this rule because they only assist in executing transactions and do not provide investment recommendations. If you are the client of a discount brokerage firm, you will be required to sign an acknowledgement that the firm will not be responsible for making a suitability determination when accepting your orders. For these reasons, firms will not be required to collect information from you that relates to suitability.

Legal Requirements

You are required to provide your firm and advisor with information required not only to comply with IIROC rules, but also with federal legislation, regulations and international agreements.

You will not be permitted to perform any transactions in your account, except for an initial deposit, until you have provided all identification required under the law.

- 1 Full Legal Name, Date of Birth**
Required for: Know-Your-Client rule and to satisfy Anti-Money Laundering regulations.
- 2 Social Insurance Number**
Required for: Tax reporting purposes.
- 3 Verification of Identity**
Required for: Proceeds of Crime (Anti-Money Laundering) and Terrorist Financing Act, federal legislation designed to prevent the use of the financial system for hiding the proceeds of criminal activity or financing terrorist activity. Firms will generally not accept provincially issued health cards, credit cards or cheques drawn on credit card accounts as forms of identification.

NOTE: If you intend to hold U.S. investment securities in your account, U.S. withholding tax legislation requires the collection and verification of customer identity and other information enabling your investment dealer to withhold tax on any U.S. dividend and interest income received by your account at the reduced rate permitted under the Canada-U.S. Tax Treaty.

4 Home Address

Required for: Anti-Money Laundering and securities regulations. Your home address is required for a number of reasons, primarily to ensure that the advisor you are working with is registered to practice in your province. Investment dealers are also required to mail you trade confirmations and account statements. Please note that a P.O. Box number alone is not acceptable.

5 Citizenship

Required for: Tax reporting purposes. It may also be used to determine if you are permitted to purchase certain kinds of securities.

6 Home, Cellular, Business and Fax Numbers and Email

Required for: Assisting your firm in contacting you with investment advice or to address material changes affecting your investments, etc.

Firms will generally accept the following

- passport
- driver's licence
- citizenship
- birth certificate (for applicants under 21)

Photocopies or notarized copies of these documents are not acceptable. This generally means that you will have to meet face-to-face with your advisor or other authorized representative of the firm. If you cannot meet in person, ask about non face-to-face identification methods.

7 Occupation and Spouse's Occupation
Required for: Anti-Money Laundering regulations, as well as for the Know-Your-Client rule. Under securities legislation you must advise your advisor and firm if you or your spouse is legally defined as an insider or control person of a publicly traded company, or if you or your spouse is a partner, director, employee, affiliate or associate of an investment dealer.

8 Politically Exposed Persons
Required for: Anti-Money Laundering legislation. Your investment dealer will need to know if you or a member of your immediate family have ever held a position with a foreign government that qualifies any of you as a "Politically Exposed Person." (For a detailed definition and more on this requirement, visit www.fintrac-canafe.gc.ca.)

9 Third Parties
Required for: Anti-Money Laundering and securities regulations. Firms must maintain information on third parties who have financial interest or trading authority over your accounts. This includes their names, dates of birth, employment information and relationship to you. Your investment dealer will also need to know whether the third parties are control persons or insiders of an organization which has, or intends to, issue securities. Anti-Money Laundering legislation further requires that your investment dealer determine if a trade is being done on behalf of a third party, in which case your investment dealer will require the third party's address and relationship to you.

10 Source of Funds
Required for: Securities regulations. In order for your investment dealer to comply with the Know-Your-Client rule, you may be asked to identify the source of funds used to open your account.

11 Intended Use
Required for: Anti-Money Laundering regulations. You are required to declare the intended use of your account, such as income or long-term capital appreciation.

12 Your Signature
Required for: Anti-Money Laundering regulations.



Different Accounts Require Different Information

- 1 Joint Accounts**

When you open an account with one or more other people, Know-Your-Client information is required from everyone named on the account.
- 2 Corporate Accounts**

To open corporate accounts, firms are required to identify all individuals who beneficially own, direct or control more than 10% of that corporation, whether directly or indirectly. This involves obtaining the name, address, citizenship, occupation and employer of each beneficial owner and whether he or she is an insider or controlling shareholder of a publicly traded corporation or similar entity. Your investment dealer must also verify the identity of those owners. The names and occupations of all directors and a certificate of corporate status are required under Anti-Money Laundering legislation. Corporate resolutions are required as evidence of who is authorized to trade in the account and the identity of these individuals must be verified by your advisor and firm.
- 3 Trust Accounts**

For trust accounts, IIROC requires your investment dealer to identify the settlor and all individual beneficiaries of more than 10% of the trust, whether direct or indirect. You must provide your investment dealer and advisor with the name, address, citizenship, occupation and employer of all individuals and whether any of them is an insider or controlling shareholder of a publicly traded corporation or similar entity. Exceptions can be made for some beneficiaries such as minor children.

The written trust agreement or other trust documents are usually requested by your investment dealer and advisor. You must also identify and verify the identification of all trustees of the trust.

4 **Other Non-Individual Accounts**

For non-individual entities other than corporations and trusts, their constating documents must be provided. IIROC requires that all beneficial owners holding a 10% interest or more be identified in the same manner as corporate or trust accounts.

Other Documents to Sign

1 **Shareholder Communication Instructions**

Under securities legislation your advisor is required to obtain your instructions as to whether you wish to receive proxy-related and other security holder materials.

2 **Agreements**

Under IIROC requirements, additional documentation is required before opening the following accounts or trading in the following products:

- ❖ joint account
- ❖ margin account
- ❖ discretionary account
- ❖ managed account
- ❖ trust account
- ❖ registered account
- ❖ investment club account
- ❖ trading in options or futures

3 **Electronic Delivery**

Your advisor is required under IIROC requirements to obtain your consent by way of signature if you wish to have account-related documents sent to you by email.

4 Privacy

Under federal and/or provincial privacy legislation requirements you will be asked to acknowledge that you have read and understand the firm's privacy statement, which sets out when your firm may use your personal information.

Your investment dealer will safeguard your information against disclosure to unauthorized persons or companies and has taken steps to ensure that the collection, use and disclosure of personal information complies with applicable privacy legislation. Firms are, however, required to provide information about client accounts and client trading to regulatory and self-regulatory organizations on request.

What Your Investment Dealer Must Supply to You

Under IIROC rules and securities legislation, your advisor must provide you with additional documents that disclose:

- ❖ The risks associated with borrowing money to finance the purchase of securities (Leverage Risk Disclosure Statement)
- ❖ IIROC's "An Investor's Guide to Making a Complaint" brochure
- ❖ The risks associated with trading in strip bonds (Strip Bond Information Statement)
- ❖ Whether there are service fees

If your investment dealer engages in certain activities or business structures itself, your advisor is also required to provide you with additional documents that disclose:

- ❖ The risks associated with trading futures or options
- ❖ If the investment dealer is an introducing broker in a relationship with a carrying broker
- ❖ If the dealer shares premises with a financial services entity
- ❖ If the advisor is an agent rather than an employee of your firm
- ❖ If the firm trades or advises with respect to their own securities or securities of issuers related or connected to the firm and a list of those securities (Statement of Policies)
- ❖ Whether there are any referral fees

In some cases, you will need to provide acknowledgement that you have received certain documents. The acknowledgement must be in a form that allows your investment dealer to store a record of it, either in writing or by use of an “I Accept” button on a password-protected website.



Visit www.iiroc.ca
for more investor
protection tools and
information, including:

Why IIROC Matters to You, the Investor

This brochure contains useful information, in plain language, about registrants' registration, proficiency and continuing education requirements, as well as describing IIROC's business conduct and financial adequacy requirements. It also provides information on the Canadian Investor Protection Fund (CIPF).

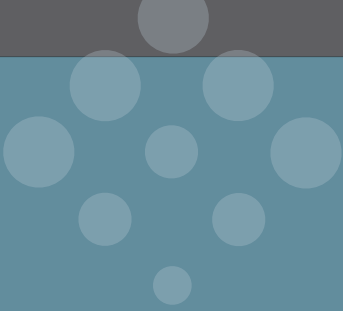
An Investor's Guide to Making a Complaint

This brochure provides information on the dispute resolution services available to clients, including IIROC's arbitration program, the free mediation services offered by the Autorité des marchés financiers and the Ombudsman for Banking Services and Investments.

IIROC AdvisorReport

This service allows investors to research the background, qualifications and disciplinary information on current advisors at IIROC-regulated firms.





IIROC is the national self-regulatory organization which oversees all investment dealers and trading activity on debt and equity marketplaces in Canada.

www.iiroc.ca

Tel. 1 877 442-4322



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Investment Industry Regulatory
Organization of Canada

Organisme canadien de réglementation
du commerce des valeurs mobilières

Montréal

5 Place Ville Marie, Suite 1550
Montréal, Quebec H3B 2G2

Toronto

Suite 2000, 121 King Street West
Toronto, Ontario M5H 3T9

Calgary

255 - 5th Avenue S.W.
Suite 800-Bow Valley Square 3
Calgary, Alberta T2P 3G6

Vancouver

Suite 2800 - Royal Centre
1055 West Georgia Street
P.O. Box 11164
Vancouver, British Columbia V6E 3R5