

BEST PRACTICES GUIDE

<p>KYCs</p>	<ul style="list-style-type: none"> • KYCs must be completed in full, including disclosure of advisor’s Outside Activities (position/activity and name of entity used for activity) • Detailed discussions are required to establish Objectives, Risk Tolerance, Time Horizon, Investment Knowledge and Investment Experience • Changes to information on KYC form must be initialed and dated by the client i.e. item crossed out. (Note: do not use white-out to make any changes to KYCs or other documents) • Occupation is required, enter as Occupation and not employer (i.e. Retired Teacher) if client retired • Employer name, full address must be provided along with occupation • Client ID – photo identification (i.e Driver’s License or Passport). Other acceptable forms of photo ID are provided in the HCI Policy and Procedure Manual available on HUBlink • <u>Refer to Compliance Bulletin #2016-02 Updated KYC Form, Common KYC Deficiencies, Best Practices</u>
<p>KYC Updates</p>	<ul style="list-style-type: none"> • Required when there is a material change (i.e. employment, income, marital status, risk tolerance, time horizon, etc.) or at minimum once every 3 years • Produce Suitability Report in RepVision prior to completing update • Check date of last KYC and update if not within last 3 years • Can search Repvision for stale-dated KYCs, contact IP Specialist or RCO for assistance. • Review the client’s investments vs. current KYC information to determine if there are any suitability issues either due to market drift or change in fund Risk Tolerance or Objective • Risk Tolerance and Investment Objective must not be updated to match investments and allocations should not be unduly specific (e.g. 93% Medium Risk and 7% High Risk) • Check for outstanding deficiencies identified during Tier 1 review • <u>Refer to Compliance Bulletin #2016-02 Updated KYC Form, Common KYC Deficiencies, Best Practices</u>
<p>Trade Documents, KYC</p>	<ul style="list-style-type: none"> • All forms MUST be fully completed before being signed and dated by the client (clients must also date their own signature)* • All trade or investment instructions SHOULD be provided on HCI forms to ensure clients have been provided with the disclosures embedded in the documents that form important/valuable evidence and/or acknowledgement to rely on in the event of complaint or regulatory action. Fund company forms and Letters of Direction (LOD) are also acceptable, provided fees, disclosures/load types are included • All forms, LODs must be signed by the client unless relying on LTA • All changes to the KYC or trade documents MUST be initialed and dated by the client* • Transactions based on Email only instructions received from the client are NOT PERMITTED. The client MUST be contacted by the representative to confirm the transaction prior to the transaction taking place to ensure it is authorized and not a malicious cyber security attack. • Representatives CANNOT provide verbal instructions to a fund company • All trades MUST be signed by the client unless there is an LTA in place • Electronic client signatures are not acceptable • <u>Pictures of KYCs and/or trade documents not accepted, scanned copies only. KYCs, trade documents and other client sensitive information should not be sent from phone – potential too great that can be compromised and client’s information exposed.</u>

Limited Trade Authorization (LTA)	<ul style="list-style-type: none"> • LTA MUST be approved by HCI before it can be relied upon. • A trade using an LTA cannot be submitted at the same time that the LTA is submitted for approval by HCI, the trade(s) must be signed by the client • If trades are placed using an LTA, detailed notes are required including, details of the transaction, method of contact, time and date. • Best practice is to confirm details of LTA trade back to client via secure email, letter, etc. • LTAs for client name accounts only, not B2B intermediary accounts • Separate LTAs required for individual and joint accounts • LTAs cannot be used for corporate, ITF or Trust accounts • LTAs cannot be used for KYCs, non-financial changes i.e. address changes or to replace a client signature required on a one-time PAD form • LTA becomes invalid on change of servicing representative • <u>Refer to Compliance Bulletin #2017-05 Limited Trade Authorization – Changes to Form and Process</u> for more info/trading on B2B accounts
Disclosures	<ul style="list-style-type: none"> • Sales Charges (commission/load type), redemption fees (withholding tax/DSC fees), transfer fees must be disclosed on all transactions, on HCI Trade Form or Transfer document • Commission Rebate Disclosure – whenever rebating commissions to client • Outside Activities (Dual Occupations) on KYC or KYC Updates • Leverage (requires pre-approval for all Non-registered loans and RRSP loans of \$25,000 or more) • HCI trade forms and KYCs have important disclosures embedded either on the front or back of the form (including disclosure on trailing fees) which must be reviewed with client, provided to them.
Suitability Report in Repvision	<ul style="list-style-type: none"> • Produce Suitability Report in Repvision and review recommended changes BEFORE to ensure the portfolio remains suitable based on plan KYC • If not suitable, consider other options that fit within stated KYC • KYC should not be “reversed engineered” (changed to match the product risk/objective) • Changing KYC to suit plan risk/objectives will require details of the reasoning and comprehensive notes of the conversation and circumstances to substantiate an increase in risk tolerance or investment objectives
Product List in Repvision	<ul style="list-style-type: none"> • Refer to the Product List available in RepVision to confirm the fund is approved and to confirm the Risk Tolerance and Investment Objective for the fund, before recommending a new fund to a client to ensure suitability • Ensure suitability to meet regulatory obligations and prevent delays in processing trades
Fund Fact Document (FF)	<ul style="list-style-type: none"> • MUST be delivered prior to acceptance of trade (regulatory requirement) • Delivery of FF via Repvision required to provide record of delivery and prove delivery prior to acceptance of trade • Delivery of FF via Repvision reviewed on monthly, sample basis by Compliance and also during rep audits

DSC-DSC, FE to DSC	<ul style="list-style-type: none"> • DSC-DSC or FE to DSC not typically suitable for any client situation except in transfer-in's that may require a DSC to cover the cost of rebating fees incurred on transfer • Clients must sign Commission Rebate Disclosure form before the transaction takes place • All DSC-DSC (except switches at same fund company) and FE-DSC trades must and pre-approved by RCO • Refer to <u>Section 2.2.3(f)(i) DSC Disclosure of the HCI Compliance Policies and Procedures Manual</u> • <u>Forms are available on HUBlink under HUB Capital/Forms</u>
Senior/Vulnerable Clients, DSC, LL, Time Horizon, Risk Tolerance	<ul style="list-style-type: none"> • DSC not suitable for clients age 65+ or at any age where the time horizon is less than the DSC schedule. Exceptions may be considered to accommodate a commission rebate, however through the low-load (LL), not DSC version of the fund • Time Horizon should not typically exceed 6-9 years as clients may need to access funds to fund medical, long term care or RIF income needs
Premium (HNW) Series Funds	<ul style="list-style-type: none"> • Most fund companies have Premium Series Funds to provide lower management fees to higher net worth investors, and in some cases, to additional family members • Refer to each fund manager for the details of the program i.e. qualification for investors, whether or not the fund manager automatically moves clients into the HNW version of the fund, and if the offer extends to other family members • If not automatically managed by the fund manager it is important to look at each new purchase and/or the current value of a client's holding with the fund company and take action to move the assets into the HNW version
Timely Submission Deposits and Trade Documents	<ul style="list-style-type: none"> • All deposits, trade documents, applications, KYCs, transfer forms, etc. must be deposited/submitted for processing within one business day of being signed by, or received from the client • If document is received by mail, fax or email, a note is required to indicate date document was received (i.e. can be stamped with the date received or a note made "received by mail on xx/xx/xxxx) • If there will be a delay between the date the client signs the form and the date a trade will be processed (i.e. the client does not want a purchase to be made until a certain date to allow them to transfer funds into their bank account), then a note must be included on the Order Ticket stating the date the trade will be processed, and the reason for the delay. The Representative should also speak to the client on the date the trade is to take place, to confirm the trade can proceed – and details of this conversation should be noted in the Representative's client notes
PADs and Purchases \$250K and over Certified Cheque/Bank Draft	<ul style="list-style-type: none"> • \$249,999 -maximum dollar limit for a Pre-Authorized Debit (PAD) • Purchases, or combined purchases \$250,000 and above MUST be by certified cheque or bank draft from Canadian Bank with proof of purchase • LTA cannot be used for PAD forms, client must sign form (same as cheque) • Form must be fully completed when signed by client
3 rd Party Cheques	<ul style="list-style-type: none"> • Not acceptable for purchases into TFSAs, other than Group TFSAs • Acceptable for RRSP purchases from employer or from client's personal corporation. RCOs may request corporate documents to confirm ownership and signing authority • Grandparents may contribute to RESP plans owned by parents of child • PADS from 3rd Parties not acceptable

Risk Questionnaires	<ul style="list-style-type: none"> • May be used as guidance only and not to directly determine Risk Tolerance on KYC. Should not be kept in mutual fund file or uploaded to RepVision/attached to KYC • Risk Tolerance on KYC to be determined based on detailed discussion with client
Client Notes	<ul style="list-style-type: none"> • Professional, quality notes are vital for every Representative • Correct, current, complete, consistent and updated in client file at time of meeting and/or discussion • Record of all client contact, or attempted contact • Clearly capture discussions surrounding determining KYC and/or investment recommendations, including recommendations not acted upon by a client • Include important notes on trade documentation or in Repvision to explain circumstances related to KYC or trading to avoid unnecessary, time consuming deficiencies • Refer to <u>Compliance Bulletin #2015-09 Client Notes on Transactions and In Determining KYC</u> for additional information
Client File	<ul style="list-style-type: none"> • Must be unique to the client’s mutual fund activity and contain copies of all KYCs, account and trade documentation, authorizations, forms, disclosures, notes, recommendations, written communications • Must be held securely to ensure protection of personal information
Client Communications	<ul style="list-style-type: none"> • Notes required for all discussions with clients • Emails between advisors and clients must be secure to ensure protection of personal client information • Password protect email communications if encryption not available • Recommend use of hubcapital.ca email address when communicating with clients • Client written or verbal complaints must be reported to RCO immediately
Deficiencies	<ul style="list-style-type: none"> • System will generate automated email advising of new deficiency • Details of deficiencies available on Repvision Dashboard and in each client record • Every effort required to address deficiency within 24-48 hours • Mark deficiency as Fulfilled and provide a response, including information required such as notes, disclosures, documents, etc. Client documents should be uploaded into Repvision where possible or additional information/documentation forwarded to RCO for review • Questions regarding a deficiency should be directed to the RCO • Questions/documents should be sent to regional Compliance mailbox, not to RCO’s personal email. DO NOT respond to automated deficiency email • Responses to deficiencies must specific to the deficiency and professional as they form part of the permanent client and advisor records • Refer to <u>Compliance Bulletin #2018-06 – Taking Aim at Reducing Deficiencies</u> for additional information including the escalation process and possible actions for failure to address outstanding deficiencies/repeat deficiencies

<p>Address Changes</p>	<ul style="list-style-type: none"> • Client signature is required to change address. Email not acceptable • KYC cannot be used if only changing address, must use Change Form or LOD; however can change address on KYC if updating other information • Cannot provide only PO B ox, if in rural area must also provide street address and note mailing address (PO Box) under 'Notes' section of KYC/change form • C/O address not normally permitted, may be exceptions allowed for POAs, should discuss with RCO
<p>Cyber Attacks, Privacy/Data Breaches</p>	<ul style="list-style-type: none"> • Must be reported immediately to RCO (e.g. laptop is lost or stolen, break in at office, etc.). Anything where client information could be compromised
<p>*Incomplete and Altered Forms</p> <p>HIGHEST REGULATORY RISK</p> <p>Considered by MFDA and Securities Regulators as</p> <p>“Signature Falsification”</p>	<ul style="list-style-type: none"> • All documentation must be fully completed prior to being signed by client • All changes on any document MUST be initialed and dated by the client • Submitting incomplete or altered forms without client acknowledgment is a significant regulatory issue and reportable to the MFDA • <u>It is extremely important that all documentation is complete and in good order before submitting the documents</u> • <u>Refer to Compliance Bulletin #2017-02 MFDA Notice on Signature Falsification; Compliance Bulletin #2016-05 HCI Policies and Procedures – MFDA 2016 Sales Compliance Audit; and Compliance Bulletin #2015-08 Signature Falsification – MFDA Bulletin #0061-E</u> for additional information and examples of signature falsification