

BEST PRACTICES GUIDE 2022

COVID-19 Exceptions

- **We strongly encourage you to obtain e-signatures wherever possible.** However, if an e-signature solution is not possible, the MFDA is currently allowing representatives to act as if an LTA is on file for all clients. Representatives must follow same policies and procedures currently in place for LTA or nominee trades
- Must maintain appropriate notes of client direction: date, and time and method instructions were received as well as confirmation of disclosure of fees, delivery of fund facts, source of funds, etc., where applicable
- Instructions received by email must be confirmed with the client by telephone prior to being processed
- Where client does not have a client signed LTA on file, "**As per MFDA Guidance**" should be written on client signature line on the order ticket
- **Client signature still required for:** change of bank account; change of address; change of name; change of beneficiary; redemptions to a third party; redemptions to client's bank account not already on file
- KYC updates can be completed without client signature by phone noting the date and time of call. Detailed notes must be kept of call and discussions regarding financial goals, objectives, risk tolerance, time horizon, income, networth, etc. **On client signature line, the date and time of phone call must be noted**
- Where an update is completed without client signature, a copy of the KYC **must be provided to the client** by secure email, courier, or mail with a note that client should contact representative if any questions or information on KYC is not correct. Confirmation of delivery of KYC (i.e., copy of email or cover letter to client) must be kept in client file
- KYCs for new client, if not in person, meeting must take place on Zoom, Facetime, etc. Client must hold up driver's license or other acceptable photo ID so representative can clearly see details including DOB, expiry date, picture, signature, etc. Copy of ID must also be sent to client via secure method. Date, time, and location of video session must be recorded on KYC and a copy provided to client, as outlined with KYC update above
- **Client must physically sign KYC at first in-person meeting. Please Note: KYCs for new clients can also be signed using DocuSign without original client signature required.** Please refer to section on E- Signatures (DocuSign) below
- Extra precautions should be made to confirm the identity of new clients - beware of fraudsters. New clients should come from a credible source which you have confirmed - if not, you should question why they chose to contact you
- Refer to [Compliance Bulletin 2020-05 COVID-19 Guidance on Procedures and Temporary Measures](#) issued in March 2020, and update in August 2020

KYCs

- KYCs must be **completed in full**, including PEP/PEFP/HIO and FATCA/CRS questions/information
- **NEW as of December 31, 2021**, the client's Total Investable Assets must be provided on the KYC. **Investable Assets include** liquid and near-liquid assets, such as: cash and bank accounts (chequing and savings accounts); GICs and money market accounts; stocks, bonds, and mutual funds; retirement accounts and trusts; and insurance contracts with a cash value. Real estate (a client's home and other real estate properties), vehicles, art collections, jewelry or collectibles are not considered investable assets and should not be included in this calculation. **This information is mandatory and must be provided on the KYC and KYC update forms.** If not included KYC (and KYC updates) will be marked as deficient
- **Reminder – the most recent version of the KYC must be used (January 2022). Older versions of the form will be rejected**
- **NOTE:** Disclosure of outside business activities (position/activity and name of entity)

	<p>used for activity) is still required but has been moved from KYC to Conflict-of-Interest Disclosure form (see section below - Conflict of Interest Disclosure & Trade Disclosures)</p> <ul style="list-style-type: none"> 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 KYC or other documents) Occupation is required (must be entered under Occupation field). Employer name, full address must be provided along with occupation. If client is retired or unemployed, the occupation should be stated as “Retired/Unemployed” with former occupation (i.e. Retired Teacher) 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 Reminder for ROE representatives – all KYC information must be entered on RepVision, and the KYC must be uploaded to the KYC History for <u>each</u> plan on the KYC Note: Plan KYC information (e.g. risk tolerance and investment objective) should not be entered on RepVision until the KYC has been signed by the client Refer to <u>Compliance Bulletin #2016-02 Updated KYC Form, Common KYC Deficiencies, Best Practices</u>
<p>KYC Updates, Trading & Stale Dated KYCs</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 IMPORTANT CHANGE regarding trading in accounts where the KYC is stale dated (more than 3 years old). As part of the Client Focused Reforms that came into effect on December 31, 2021, trades cannot be processed in accounts where the KYC is stale dated (redemptions excepted) Trades submitted to the IP Teams for processing in plans with a stale dated KYC will be rejected and returned to the rep, and any trades completed by reps in these plans will be escalated to Compliance for additional action Reps should always produce/review a Suitability Report in RepVision prior to completing an update and/or trade Check date of the last KYC and update if not within 3 years Search RepVision for clients with stale dated KYCs. Contact IP Specialist or Regional Compliance Officer (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 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 daily trade review Reminder for ROE representatives – all <u>changes</u> on the KYC must be entered/updated on RepVision and the KYC update must be uploaded to the KYC History for <u>each</u> applicable plan included on the KYC form Refer to <u>Compliance Bulletin #2016-02 Updated KYC Form, Common KYC Deficiencies, Best Practices</u>
<p>Trade Document & KYC Requirements</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

	<p>PERMITTED. The client MUST be contacted by the representative by telephone to verbally confirm the transaction prior to the transaction taking place to ensure it is authorized and not a malicious cyber-attack.</p> <ul style="list-style-type: none"> Representatives CANNOT provide verbal instructions to a fund company All trades MUST be signed by the client unless there is an LTA in place** Only electronic signatures using DocuSign are permitted. No other forms of electronic signature are accepted. Please refer to HUBLink for more information, including a FAQ, on DocuSign (under Investments/Tools & Resources/E-Signature for HUB Capital) For large dollar purchases (generally \$25,000 or more), source of funds must be indicated on order ticket (e.g. leveraging, sale of property or other investments, inheritance, etc.); for large redemptions (generally \$50,000 or more), reason for redemption/use of funds should be provided on order ticket (e.g. personal expenses, home renovations, purchase of other investments, etc.) 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 Refer to Compliance Bulletin 2020-05 COVID-19 Guidance on Procedures and Temporary Measures issued in March 2020, and the update in August 2020, for information on exceptions currently permitted regarding client signature and LTAs
<p>E-Signatures (DocuSign)</p>	<ul style="list-style-type: none"> DocuSign is the only form of electronic signature approved/accepted by HUB Capital. No other forms of electronic signature for clients are permitted DocuSign be used on most HUB Capital, B2B and fund company forms - including applications, trade tickets, KYCs, systematic plan forms, change forms, LTAs and PAD forms DocuSign can also be used on all KYCs (including KYCs for new clients to HUB Capital and the representative) and for KYC updates Full envelope of documents signed electronically, including certificate of completion, must be uploaded to the client file in RepVision/submitted to HUB Capital Documents must be password protected when sent to clients and the password must be sent separately No changes can be made to document after it has been signed by the client Refer to HUBLink for more information including a FAQ on DocuSign (under Investments/Tools & Resources/E-Signature for HUB Capital)
<p>Limited Trade Authorization (LTA)</p>	<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 as well as confirmation of disclosure of fees, delivery of fund facts, source of funds, etc., where applicable 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 Refer to Compliance Bulletin #2017-05 Limited Trade Authorization – Change to Form and Process for more info/trading on B2B accounts

<p>Conflict of Interest Disclosure, Trade Disclosures & Reimbursement of Fees</p>	<ul style="list-style-type: none"> • All new clients must be provided with a Conflict-of-Interest Disclosure form. This disclosure includes information on a representative outside activities and referral programs. HCI has two versions available for reps to use – one for HCI reps only, and one for reps who are both mutual fund and insurance licensed. The disclosure must be reviewed with the client and signed by them • Refer to Compliance Bulletin #2021-02 Client Focused Reforms – Conflict of Interest Advisor Disclosure Requirements for more information • 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 • Representatives cannot reimburse clients directly for fees incurred on redemption, transfer or as the result of an error. Reimbursement must be completed through the dealer and will be deducted from representative's commissions. Request must be submitted to Compliance to review and approve • Commission Rebate Disclosure document required whenever rebating commissions to client • 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 and provided to them
<p>Leveraging</p>	<ul style="list-style-type: none"> • Compliance pre-approval required for all loans in non-registered plans and RRSP loans of \$25,000 or more • Compliance pre-approval also required for transfer in of existing leveraging accounts from another dealer • Leveraging includes purchases made using line of credit client (obtained separately by client) • All loans in a non-registered plan, as well as RRSP loans of \$25,000 or more require that a Leverage Worksheet be completed. The first page must be signed by the client. Blank worksheets are available from your Regional Compliance Officer • Supporting documents for the worksheet must be included to verify income and net worth (i.e. proof of income, investment statements, property assessments to confirm value of home, etc.) Information on worksheet must match the information provided on the KYC, as well as information provided on loan application • Leverage risk disclosure form must be signed by clients for all leveraging (including RRSP loans under \$25,000) • Refer to Section 2.6 Leverage - Borrowing Money to Invest in the HCI Policy & Procedure Manual
<p>Suitability Report in RepVision</p>	<ul style="list-style-type: none"> • Produce the Suitability Report in RepVision and review recommended changes BEFORE trading 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 "reverse 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 and/or investment objectives
<p>Know Your Product (KYP) Requirements & Product List in RepVision, HUB KYP Comparison Tool</p>	<ul style="list-style-type: none"> • It is the representative's obligation to understand the products they recommend to their clients • Under Client Focused Reforms now in effect, representatives must be able to demonstrate they considered a reasonable range of suitable alternatives including key items such as the structure, features and risks of the fund as well as the ongoing costs and their impact before selecting the fund recommended to their clients • Can be evidenced using the Know Your Product (KYP) Checklist, or KYC Comparison tool available through HCI • Please refer to Client Focused Reforms: Summary of Tools and Resources – issued December 7, 2021, as well as Know Your Product (KYP) Comparison Solution – issued December 31, 2021 • Prior to completing a comparison and recommending a fund to a client, please 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

	<ul style="list-style-type: none"> Ensure suitability to meet regulatory obligations and prevent delays in processing trades NOTE: Alternative Mutual Funds/Liquid Alternative Funds are approved, including a limited selection of cryptocurrency-based funds. However, only representatives who have completed the required proficiency are eligible to sell these funds. Proof of completion of the required proficiency must be provided to your RCO for updating of your registration on NRD, before a representative can discuss, recommend, or sell these funds to a client. Please note concentration limits are applicable to these funds. Refer to the communication Alternative Mutual Fund Investments – Coming Soon! – issued October 4, 2021, and Compliance Bulletin #2021-09: Cryptocurrency Based Alternative Mutual Funds for more information
Fund Fact Document (FF)	<ul style="list-style-type: none"> MUST be delivered prior to acceptance of trade (regulatory requirement) For subsequent purchases into fund, most recent version of FF must be provided to client. If updated version of FF is available, it must be provided to client prior to acceptance of trade Delivery of FF via RepVision required to provide record of delivery prior to acceptance of trade Refer to Compliance Bulletin #2021-05: Fund Facts Delivery Requirements and RepVision Tools & Improvements for more information
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 for 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 be pre-approved by RCO Refer to Section 2.2.3(f)(i) DSC Disclosure of the HCI Compliance Policies and Procedures Manual Forms are available on HUBLink under HUB Capital/Forms
Senior/ Vulnerable Clients, DSC, LL, Time Horizon, Risk Tolerance	<ul style="list-style-type: none"> DSC/LL not suitable for clients age 65+ or at any age where the time horizon is less than the DSC/LL 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 Clients aged 65+ where time horizon is determined to be 10+ years, or risk tolerance investment objectives on KYC indicate high risk/aggressive growth: detailed notes should be kept in client file indicating reasonability of information, including investments/assets held outside of the dealer
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 Most fund companies require investment into FE funds to qualify for lower MER funds Refer to each fund manager for the details of the program i.e., qualification for investors, whether the fund manager automatically moves clients into the Premium 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 Premium version of the fund
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.

	<p>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</p> <ul style="list-style-type: none"> • If there will be a delay in making a purchase because the proceeds are coming from the redemption at another fund company, a note should be made confirming that the client is aware that there will be a delay in the purchase of 3 to 4 days. The representative should contact the client to confirm when the purchase is being made • Some manual trades must be submitted to your RCO for approval. Manual trades refer to trades/instructions that must be faxed to the fund company for processing. Examples of those that would need RCO approval include redemptions of \$10K or more for all plan types, new PACs or change in funds for existing PACs, all transfer forms, letters of direction, etc. Documents must be scanned, pictures not permitted, and legible. Please refer to the ROE Tip Sheet for guidance
<p>PADs and Purchases \$400K+ Certified Cheque/Bank Draft or Wire Transfer</p>	<ul style="list-style-type: none"> • \$399,999 – maximum dollar limit for a Pre-Authorized Debit (PAD) • Purchases or combined purchases of \$400,000 and above MUST be by certified cheque or bank draft from a Canadian Bank with proof of purchase, or via wire transfer • Purchases or combined purchases of \$1,000,000 or more MUST be pre-approved by Compliance • LTA cannot be used for PAD forms, client must sign form (same as cheque) • PAD forms can be signed using DocuSign electronic signature • Form must be fully completed when signed by client • Refer to Compliance Bulletin #2020-07 Large Dollar Client Deposits
<p>3rd Party Cheques & PADs</p>	<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
<p>Investor Profile Questionnaire (IPQ)</p>	<ul style="list-style-type: none"> • The HUB IPQ is to assist in determining a client's KYC information risk profile, investment plans and product recommendations • Clearly demonstrates process you went through with client to understand their needs and complete the KYC • HUB IPQ not mandatory but we strongly encourage it's use • One IPQ needed per client; for joint accounts each account holder should complete one. For joint accounts, the plan risk profile, objectives, and time horizons should reflect the most conservative of the client responses. • No other questionnaires (i.e. fund company questionnaires) can be used • Refer to Compliance Bulletin #2021-04 HCI Investor Profile Questionnaire
<p>Client Notes</p>	<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 • Contains a 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 Compliance Bulletin #2015-09 Client Notes on Transactions and In Determining KYC for additional information
<p>Client File</p>	<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, recommendation, 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 • Email communications should be password protected if encryption not available • Hubcapital.ca email address should be used when communicating with clients (and when submitting client documents or communicating with HUB teams, including RCOs) • 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 the RCO's personal email. DO NOT respond to an automated deficiency email • Responses to deficiencies must be specific to the deficiency and professional as they form part of the permanent client and advisor records • Refer to <u>Compliance Bulletin #2018-07 – Taking Aim at Reducing Compliance Deficiencies</u> for additional information including the escalation process and possible actions for failure to address outstanding deficiencies/repeat deficiencies
Concentration Limits	<ul style="list-style-type: none"> • HCI does not typically recommend that more than 25% of a client's investible assets fall into higher risk categories – which include higher risk sector mutual funds like precious metals and natural resource funds • For cryptocurrency based Alternative Mutual Funds (refer to above for requirements to sell these funds), concentration should not exceed 10% of client portfolio without prior approval • When clients exceed these limits, deficiencies will be noted, and representative will be asked to provide information on client's assets and general information on other investments and amounts held elsewhere (e.g., \$200,000 in GICs with bank) to determine if excess holdings with HCI can be permitted
Address Changes	<ul style="list-style-type: none"> • Client signature is required to change address. Email or telephone instructions from the client are 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, and client has signed the KYC form • Cannot provide only PO Box, if in rural area must also provide street address under 'Notes' section of KYC/change form • C/O address not normally permitted, exemptions may be allowed for POAs, however should discuss with RCO • Signed Change Form/LOD must be uploaded to client in RepVision
Client Name Changes, Change of Banking Info & Other Non-Financial Changes	<ul style="list-style-type: none"> • Change Form <u>must</u> be used • Client must sign, LTA cannot be used • For name changes, client must provide old and new signature • Supporting documents (i.e. marriage certificate, separation/divorce agreement, court document, etc.) must be attached to form and uploaded to RepVision • Updated photo ID (i.e. driver's license, passport, etc.) must also be provided
Cyber Attacks, Privacy/Data Breaches	<ul style="list-style-type: none"> • Anything where client information could be compromised must be reported immediately to your regional compliance officer, i.e. laptop, portable flash drive or telephone is lost or stolen, your office has been broken into, etc.)

<p>Incomplete and/or altered forms (without client initials/date)</p> <p>Considered Signature Falsification by MFDA, securities regulators</p>	<ul style="list-style-type: none"> • All documentation must be fully completed <u>prior</u> 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 acknowledgement 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> • Refer to <u>Compliance Bulletin #2017-02 MFDA Notice on Signature Falsification</u>; <u>Compliance Bulletin #2016-05 HCI Policies and Procedures – MFDA 2016 Sales Compliance Audit</u>; and <u>Compliance Bulletin #2015-08 Signature Falsification – MFDA Bulletin #0061-E</u> for additional information and examples of signature falsification
<p>Trusted Contact Person (TCP)</p>	<ul style="list-style-type: none"> • Effective December 31, 2021, all clients must be given the opportunity to provide the name of a Trusted Contact Person, however, there is no requirement for the client to provide one. Therefore, if a client doesn't already have a TCP in place, each client should be asked, and a TCP form collected or a No response noting they declined. Please refer to <u>Compliance Bulletin#2020-02 Trusted Contact Person</u>

