



# **From compliance to client value:** Evolving investment suitability in Canada



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# Foreword

This paper provides important observations for firms, advisors and regulators as they seek to meet investor needs and provide good client outcomes within the uniqueness of the Canadian market and the context of our challenging times.

Managing risk has always been an intrinsic part of the investment process. It is a complex, multi-dimensional process that blends both subjective and objective inputs to determine an appropriate level of investment risk. There are a wide variety of variables that go into risk management, not the least of which are the investors needs and goals within the framework of their family group. Practices and regulations need to accommodate this complexity and provide advisors and firms the flexibility to remain agile in the face of unforeseen events.

In Canada, NI 31-103CP provides that the regulatory framework for developing a client's risk profile that is supportable and reliable. The questions and answers that are used to establish the level of risk a client is willing and able to take are documented. This is a principle-based approach to risk that includes reliance on professional judgment of the advisor and the process created by the advisor or firm to determine an investor's risk profile. Considerable discretion and deference should be allowed to this professional judgment.

This principle-based strategy can also accommodate different approaches to risk by industry participants. Risk profiling is but one part of a wider suitability determination, which includes several other key factors such as time horizons. Suitability should not be, and is often, confused with performance or returns. Investor needs vary. The (non) existence, extent and content of any financial plan that guides investment decisions may also vary.

In this paper, we attempted to demonstrate the diversity of practices that have evolved for the Canadian market. There is no one 'right' approach. But there is an opportunity to learn from other practices in a way that inspires new practices that meet the needs of our Canadian investors.



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# Acknowledgements

This research explores the evolving landscape of regulatory compliance and client onboarding in the financial services sector, with a focus on Know Your Product (KYP) and Know Your Customer (KYC) frameworks. It explores how aspects of suitability are implemented in practice, identifying emerging challenges and opportunities in aligning product suitability with client profiling, particularly in the context of digital transformation and regulatory scrutiny.

This research benefited greatly from the insights of professionals across the domains of compliance, product (Know Your Product), and advisory services (Know Your Customer) from a representation of small, medium and large banks, wealth managers and insurance companies covering the segments retail, mass affluent and HNWI. We express our sincere appreciation to all those who participated in in-depth interviews and generously shared their expertise.



# Executive summary

Canadian investment firms are at a pivotal moment in transforming investment suitability from a compliance exercise into a driver of client value. While the Client Focused Reforms (CFRs) have elevated standards, implementation across firms remains uneven. This study highlights opportunities to strengthen alignment between regulatory intent, advisory quality, and operational efficiency.

## Key insights

By shifting to a more client-centric, data-driven, and digitally enabled model, firms can better align investment advice with individual goals and risk profiles.

**Suitability practices vary significantly across firms.** Approaches to risk profiling, KYC/KYP integration, and financial planning, differ particularly between account-level and household-level applications.

**Personalization and digitization are key enablers of progress.** Firms enhancing static questionnaires with individualized risk-return insights and digital tracking tools report stronger alignment between investment recommendations and client goals. Manual processes remain widespread.

**Holistic approaches are underutilized but widely supported.** For those firms who engage both an advisor and financial planner to service a client, consistency and alignment between suitability and financial planning is essential to delivering more valuable outcomes.

**Data fragmentation limits advisory impact.** The separated processes for financial planning and suitability, combined with manual updates of client information, weakens the potential for proactive, advice-led engagement. Streamlining these processes through better system integration and real-time monitoring presents a substantial opportunity.



Regulatory feedback aligns with operational pain points. Issues raised in the CISO 2025 Compliance Report—including documentation of the client's risk profile, incorporating both risk tolerance and risk capacity and comparing alternatives—mirror practitioner challenges identified in this study.



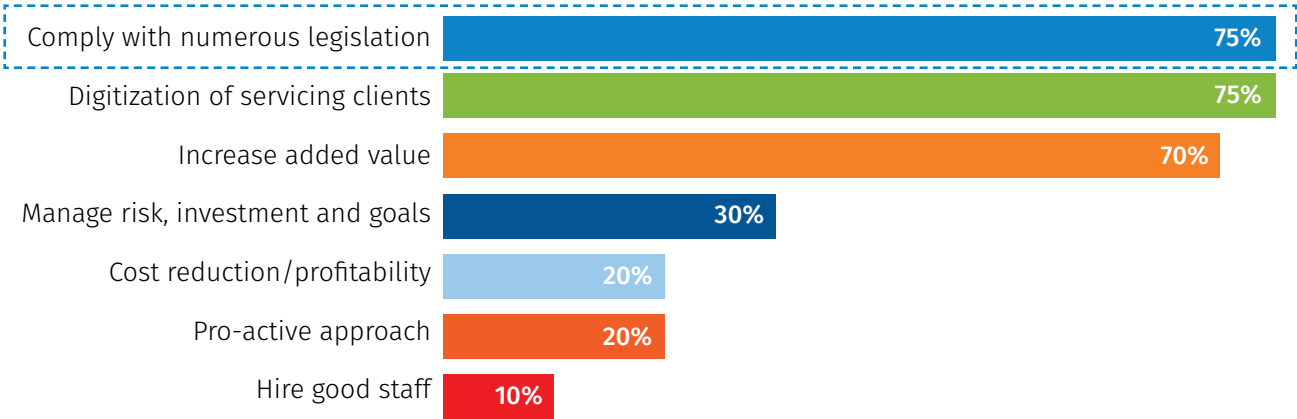
# 1. Context of the research

Investment suitability standards remain a key aspect of regulatory reform in Canada’s financial sector. This research offers a practitioner-focused view, examining how aspects of suitability obligations are applied in firms of various sizes. Canada’s decentralized regulatory system -comprising 13 jurisdictions under the CSA and CRO- leads to variation in how supervision and implementation are carried out, including under the Client Focused Reforms (CFRs) introduced in 2021. These reforms enhance investor protection by requiring firms to prioritize clients’ best interests, with increased focus on KYC, KYP, and product due diligence. The 2025 CRO Compliance Report reveals ongoing challenges, such as poor documentation and more detail in risk profiling. Through in-depth interviews with industry professionals, this study explores how aspects of suitability are embedded in investment advice and financial planning.

The CFRs were introduced to raise the bar for investor protection. But more rules don’t automatically mean better outcomes. This research looks at how certain suitability obligations are being put into practice by Canadian firms—and where there’s room to do better. In this report, the term “questionnaire” refers to all investment suitability questions included within the KYC process. Through interviews with 20 firms, ranging from small to big, we explore what’s working, what’s lagging, and what needs to change.

## 1.1. Business challenges

The financial industry is undergoing a period of accelerated transformation, shaped by a convergence of structural, technological, and regulatory forces, fee compression and the need for scale. Among the most significant challenges are the need to ensure compliance with evolving regulatory frameworks, the digitization of client servicing and the imperative to deliver enhanced value to clients. These three priorities are increasingly interdependent.



In this context, enabling a successful transition for wealth managers requires a dual focus: improving operational efficiency while simultaneously elevating the client experience. Regulatory compliance, while often addressed as a separate objective, is intrinsically linked to the digitization agenda. Regulatory obligations can be met through dynamic, data-driven solutions.

Supporting firms in aligning regulatory demands with client-centric innovation is therefore essential to sustaining competitiveness and long-term viability in a rapidly evolving financial landscape.

## **1.2. Regulatory reality check**

The Client Focused Reforms (CFRs), introduced by the Canadian Securities Administrators (CSA), aim to enhance investor protection and better align financial advice with client interests. Finalized in 2021 via amendments to National Instrument 31-103, the CFRs impose stricter obligations on registered firms and advisors, particularly regarding client understanding, product suitability, and conflict-of-interest management.

Core regulatory principles -know-your-client (KYC), know-your-product (KYP), as part of suitability-have been expanded to include a deeper evaluation of a client's financial situation, risk tolerance, and investment goals. Firms must now assess reasonable product alternatives, ensure recommendations serve the client's best interest, and document the rationale behind advice. This includes identifying and mitigating conflicts and emphasizing transparent communication.

A critical question arises: should risk tolerance be assessed narrowly—at the level of a specific account—or more broadly, at the client or also on household level? The response to this question carries significant implications for the design of advisory processes and the overall architecture of the client journey. Implementing these reforms presents operational challenges, as firms must balance compliance with commercial sustainability.

As advisory models evolve, risk profiling must adapt—raising questions about whether risk tolerance should be measured at the account, or household level. Depending on the needs and preferences of a particular client, risk tolerance may be assessed narrowly at an account or more broadly at household level.

### 1.3. What this research asked

This study investigates how Canadian wealth management firms implement the Client Focused Reforms (CFRs), focusing on aspects of the suitability obligation. It explores how firms translate regulations into practice and identifies opportunities to enhance investor servicing, risk profiling and regulatory alignment. Risk profiling is an important part of the suitability process. The following definitions are used. Risk tolerance and risk capacity are separate considerations that together make up the client's overall risk profile. The client's risk profile should reflect the lower of the client's assessed risk tolerance and risk capacity.

Key research questions include:

- How and when is client information collected to meet KYC and KYP requirements?
- How is this data used to support suitability assessments?
- How often is the information reviewed and updated?
- Do clients understand how risk fits into their goals?

The study is limited to risk profiling and suitability, reflecting a need for deeper insight into industry practices by participating firms. Prior academic research from Europe highlighted significant variation in suitability frameworks and risk profiling methods, informing this study's focus.

Despite regulatory progress, many firms still use static, questionnaire-based risk profiling models that fail to integrate risk tolerance and capacity effectively. Additional questions include how clients understand risk profiles, how well they grasp the connection between account risk and goals, and whether suitability is assessed holistically across accounts.

This research offers an empirical view of CFR implementation, highlighting best practices and operational realities in risk profiling and investment decision-making. Aimed at compliance officers, advisors, and other professionals, the findings support improved investor protection and operational efficiency.

## 1.4. Key insights from European research and relevance to Canada

While regulatory frameworks in Europe and Canada continue to evolve independently, a high degree of conceptual alignment is evident across jurisdictions. Both European and Canadian regulators are focused on strengthening investor protection through suitability, transparency, and client-centric service models—though each region has progressed at a different pace and with varying emphasis.

European markets are generally more advanced in implementing the technical provisions of suitability regulations. In contrast, Canadian firms demonstrate a comparatively stronger orientation toward holistic financial planning and client relationship management. Insights from research conducted across ten European countries provide valuable lessons applicable to the Canadian market, particularly in the context of the Client Focused Reforms (CFRs)<sup>1</sup>. Ahead of the results we highlight some conclusions regarding the comparison between the Canadian and European markets.

- **Prevalence of financial planning:** Financial planning practices are more deeply embedded in Canada than in many European jurisdictions. This reflects a broader industry emphasis on client value creation. Canadian firms are positioned to leverage this strength in aligning investment advisory services more effectively with regulatory expectations.
- **Fragmentation in risk assessment:** In both Europe and Canada, risk profiling remains largely dependent on static, questionnaire-based methods. These tools often fail to capture the complexity of a client's overall financial situation. In Canada, almost half of the firms determine risk on client level but approximately 80% of firms do not aggregate risk across multiple accounts on client or household level, limiting the effectiveness of suitability assessments.
- **Enhancement of the static questionnaire approach:** Around 40% of participating firms in Europe are supplementing risk profiling with individualized risk and return information. By incorporating personalized data, firms can provide clearer context on the potential outcomes of different investment choices. This is supported by research on the added value of personalized information<sup>2</sup>. This approach not only deepens the client's understanding of trade-offs between alternatives but also supports more informed and aligned investment decision-making.
- **Limited digitization and goal monitoring:** Like in Europe, Canadian firms face challenges related to digital maturity. Manual tracking of client goals and other financial information is still prevalent, with 90% of firms not using digital tools for monitoring financial objectives. This limits both efficiency and the capacity for proactive client engagement.

These findings highlight opportunities for Canadian firms to strengthen the integration between financial planning, risk assessment, and suitability.

The subsequent sections present results from a six-month study involving 20 Canadian investment firms, spanning a range of organizational sizes and business models. While not every dimension of suitability was examined, the research prioritized those aspects deemed most relevant to improving quality, efficiency, and regulatory alignment in investment advisory practices.

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1. Loonen, T. & Janssen, R. (2022) Implementation of MiFID II investor protection provisions by private banks within the European Union. *Journal of Financial Regulation and Compliance*, March 2022.

2. Netspar Industry Series (2023). *Show Me My Future: Data-Driven Storytelling and Pension Communication*. Netspar Design Paper 224, March 2023

## 2. Insight into the practical implementation of investment suitability

### 2.1. Client intake responsibility

The participating firms deliver investment services across the retail, mass affluent, and high-net-worth individual (HNWI) client segments. The majority of the respondents operate within a discretionary portfolio management framework, with only 20% offering investment advisory services exclusively. Financial planning capabilities, where present, were predominantly targeted at the mass affluent and HNWI segments, reflecting the perceived value and complexity of needs within these client groups.

The client intake process involves a range of advisory professionals. While investment advisors typically lead the onboarding process, there is frequent collaboration with, particularly when broader client needs arise. In around one-third of participating firms, a financial planner serves as the primary advisor, alone or interacts intensively with an investment advisor, highlighting a growing shift towards more integrated service models.



A recurring insight from participants emphasized that financial planning is increasingly seen as a key differentiator, particularly for premium clients. It is viewed not only as a value-added service but also as a strategic tool to deepen client relationships and enhance retention. This suggests that even firms with a traditional investment management focus recognize the competitive advantage of incorporating holistic financial planning into their service offering.

This evolving model indicates the ongoing pattern of embracing more comprehensive client engagement strategies, with financial planning emerging as a cornerstone of premium client service.

## 2.2. Data collection practices: KYC and KYP

Despite growing recognition of the need for greater efficiency and scalability, few firms have fully digitized their Know-Your-Client (KYC) and Know-Your-Product (KYP) data collection processes. In most cases, these responsibilities remain with advisors, in 90% of cases, who manually gather and document the required information. This indicates a significant opportunity for digital transformation—particularly as firms identify digitization as one of their top client service priorities.

While advisor-led data collection supports relationship building and can enhance trust, it also introduces operational inefficiencies. Firms are increasingly exploring how to balance the personalized service model with digital capabilities to improve accuracy, consistency, and cost-effectiveness.

### Investment knowledge

When evaluating a client's investment knowledge, nearly all firms (90%) rely on multiple-choice options available on a KYC questionnaire, with 50% supplementing these with open-ended responses or advisor notes. While this hybrid approach provides deeper insight, it is time-consuming and presents a clear opportunity for streamlining.

Participants consistently identified three primary indicators of investment knowledge, relevant education, duration of investing experience and historical trading activity.

These criteria are viewed as the most reliable predictors of a client's ability to understand investment concepts and make informed decisions.

### Goals setting and monitoring

All participating firms confirmed that financial goal setting is integrated into the client intake process. Clients typically identify between two and five distinct financial goals. While 75% of firms define these goals with specificity—capturing target amounts and timelines—only 50% actively prioritize multiple goals within the advisory process. Prioritization, if applied, is generally based on goal type and time horizon.



A small number of firms employ software tools to link financial goals to client accounts. However, this functionality is often automated in case of financial planning, with limited advisor control or customization. Although goals are defined at onboarding—often as part of regulatory compliance as part of the suitability process—ongoing monitoring is rare. Firms delivering discretionary management services tend to rely on qualitative methods rather than structured, continuous goal tracking.

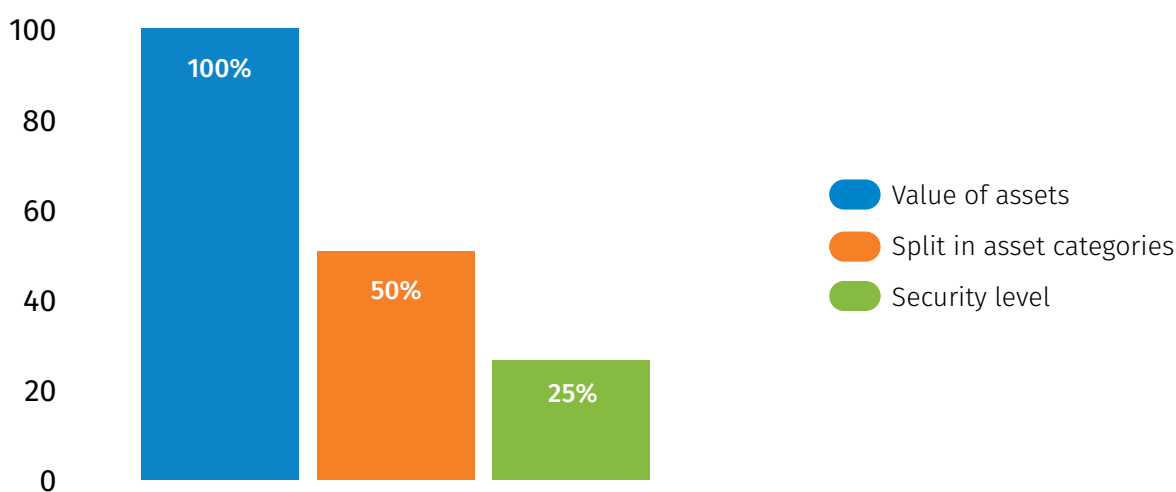
This lack of systematic goal monitoring suggests an untapped opportunity to augment client services.

### Financial position and suitability

Participants were asked about the types of financial data collected to ensure suitability. Nearly all firms require disclosure of income and net worth, including details on income sources, total assets, and total liabilities. More granular data—such as tax documentation or business income figures—is typically gathered on an ad hoc basis and not as part of the standard intake.

Interestingly, firms with larger financial planning teams do not necessarily collect more detailed data in case of investment suitability, indicating that data depth is often shaped by firm-level philosophy or advisor discretion. Two separate processes—one for financial planning and one for investment suitability—for collecting data can lead to inconsistency and missed opportunities for efficiency.

### Which financial information of the assets do you require in an intake?

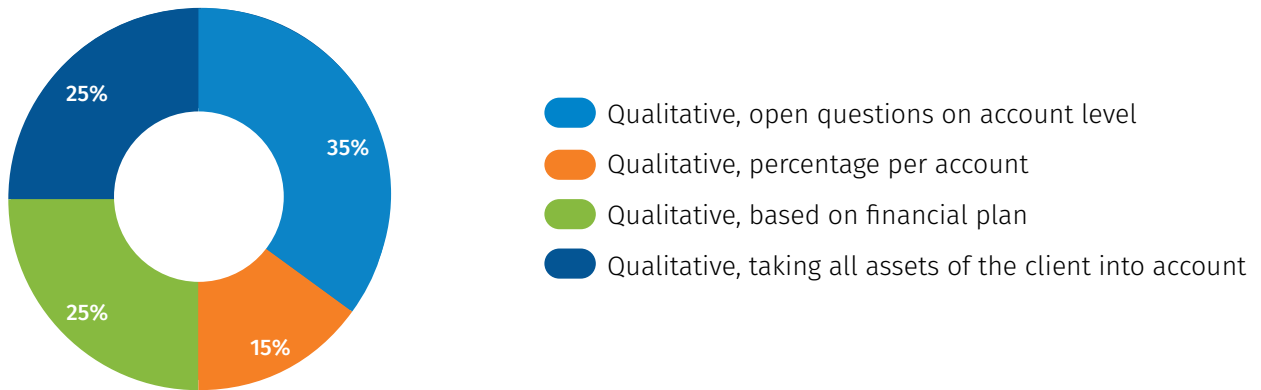


While all firms focus on total assets, only half of the firms collect a breakdown by asset class, and few request data at the individual holding level. Increasing the granularity of data collected could support more personalized, value-added advice.

## Risk capacity

Approaches to measuring risk capacity vary significantly. Half of firms employ an account-based approach—using either qualitative judgments or quantitative metrics such as potential loss or Value at Risk (VaR). Half of firms use a more holistic framework, incorporating a client's total asset base.

### How do you determine the 'Risk Capacity'?



Risk capacity remains a complex and nuanced concept for both industry and regulators. Measures differ across firms and include potential loss thresholds and projected shortfalls in financial planning scenarios. If measures differ it is also difficult to compare concepts to determine the impact of a loss or shortfall.

## 2.3 Risk profiling methodologies: Preferred model?

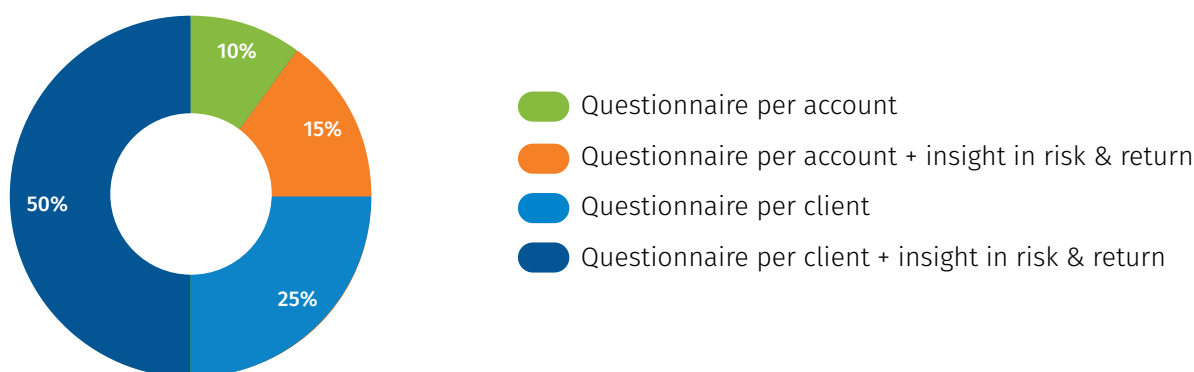
Risk profiling remains a cornerstone of the suitability framework, yet it continues to be characterized by diverse methodologies and varied terminology across jurisdictions and firms. This inconsistency is particularly evident in the distinction between two key concepts: **risk willingness or tolerance** and **risk attitude**.

For the purpose of this research, risk willingness or tolerance is defined as the amount of risk a client is willing to take with a specific account or amount in relation to a specific investment objective. In contrast, risk attitude reflects a broader, more general disposition toward risk-taking of the client, independent of investment size or specific financial goals.

Regulatory expectations often focus on assessing risk willingness in relation to **individual accounts** and their corresponding investment objectives. However, an increasing number of firms are moving toward a more holistic model in which a single risk questionnaire is used to derive a **client-level** profile, applied consistently across all investment accounts.

In the graph below, 55% of the firms use a questionnaire on account level and 45% of the firms use a questionnaire on client level. Of the firm's 35% use risk and return information to show the impact and characteristics of an investment solution.

### How do you determine the risk a client is willing to take?



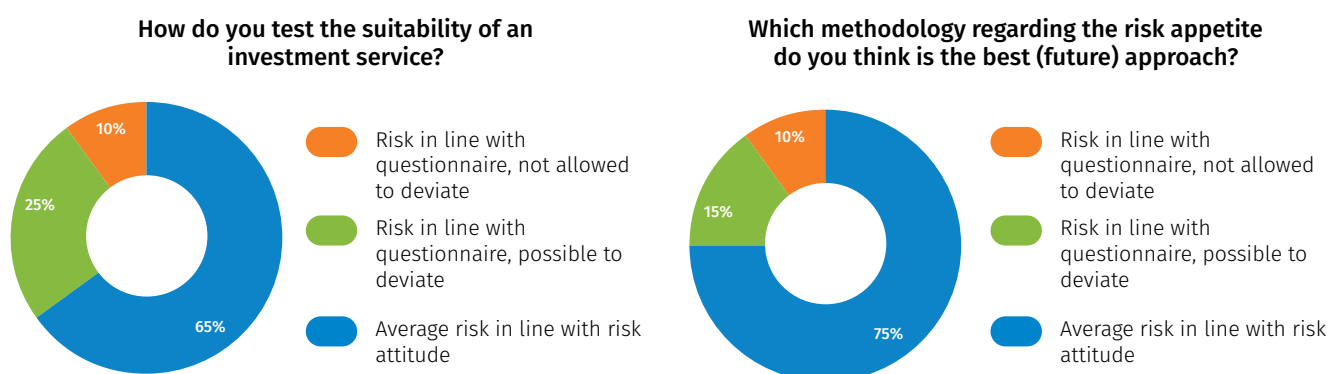
Among firms with clients holding multiple accounts, three primary approaches to risk profiling were observed:

**1. Account-level alignment:** Each account must individually align with the client's overall risk profile (one questionnaire), or a separate questionnaire is used for each account.

**2. Controlled deviation:** A single questionnaire is used, but deviations at the account level are permitted if justified and documented with permission of the client.

**3. Multi-account aggregation (or household risk):** A single questionnaire is used, and the average risk level or household risk across all accounts must remain consistent with the client or household risk tolerance. Higher-risk allocations in any one account require explicit client rationale, for example only for part of the assets.

The chart below illustrates how firms currently implement these approaches (left) and what they consider to be the optimal future state (right).



A significant majority of respondents identified 75% approach—**multi-account aggregation or household risk**—as the preferred model. This holistic suitability framework serves as an add-on to account-level suitability, providing an additional layer of insight into a client’s comprehensive financial situation. It considers not only the assets held within the institution but also, in some cases, those held externally. Respondents acknowledged this as an important advancement in the overall suitability framework. However, despite a consensus on the value of a client-centric methodology, firms also acknowledged the practical barriers to implementation.

#### Example:

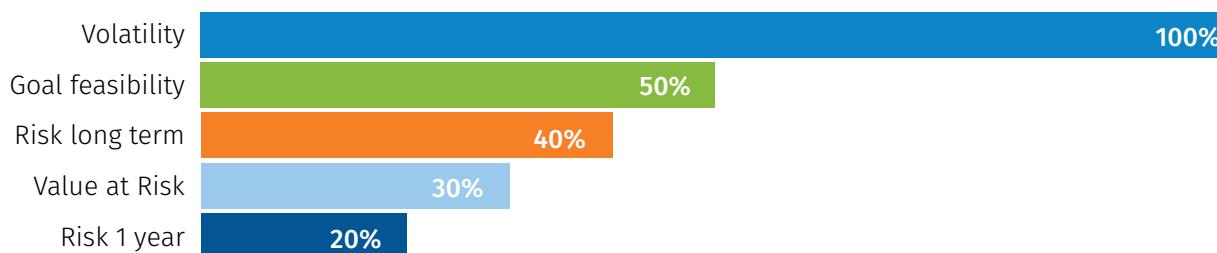
To illustrate the complexity, one interview question explored a client holding \$300,000 in savings account with another bank and planning to invest an additional \$200,000 in a different account. Half of the firms indicated they would assess risk only on the \$200,000 to be invested – consistent with account-based suitability. The remaining firms reported that they would incorporate both accounts either qualitatively or quantitatively.

The example underscores a potential blind spot: firms that limit their analysis to internal holdings may overlook material aspects of a client’s total risk exposure. Enhancing suitability assessments to include comprehensive client data—across firms and asset classes if clients are willing to share—could materially improve decision-making and good outcomes.

## 2.4 Advancing risk profiling toward outcome-driven advice

A growing number of Canadian wealth firms are beginning to move beyond traditional, static approaches to risk profiling. If firms supplement standard questionnaires with additional analysis, most rely on short-term volatility as the primary indicator of investment risk.

### What kind of risk measures do you use in advice / ongoing communication to clients?



This narrow focus presents a clear opportunity for evolution. Of all respondents only 40% currently incorporate long-term risk metrics into client assessments. This signals a significant gap in aligning portfolio construction with longer term financial objectives.

Early adopters are taking steps to bridge this divide. These firms are deploying advanced analytical tools to assess long-term risk exposure and evaluate the likelihood of achieving specific financial goals. This shift is not just about better tools—it reflects a deeper transformation: from reactive risk management to proactive, outcomes-based advice.

Importantly, 50% of participants cited goal feasibility as a key emerging factor in their approach, mostly firms with focus on financial planning. This underscores an industry-wide pivot toward risk profiling frameworks that support holistic advice.



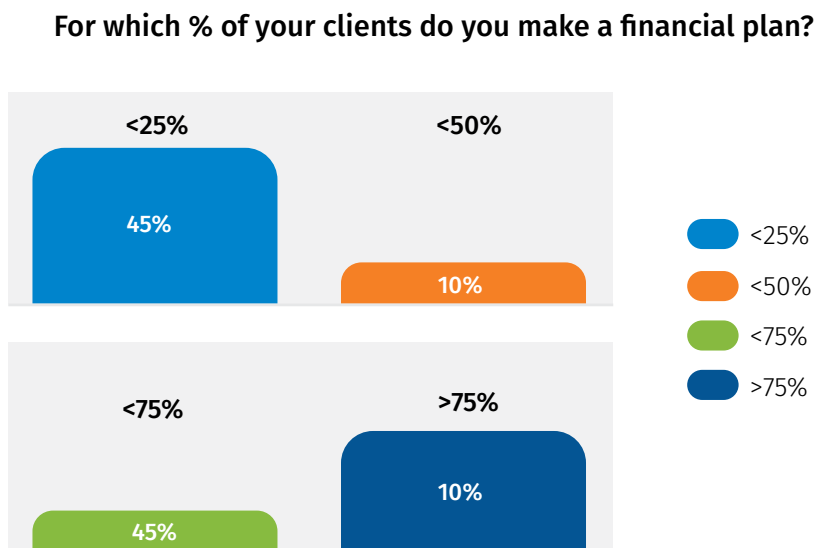
### 3. Investment suitability as part of financial planning

#### 3.1. Financial planning services

With the exception robo-advisory firms, all participating organizations reported offering financial planning services, either broadly across their client base or selectively at the discretion of the advisor. The decision to provide these services is typically influenced by a combination of client complexity, life-stage events, and assets under management (AUM).

Notably, Canadian firms report higher adoption rates than their European counterparts, both in availability and in the proportion of clients receiving formal plans.

One-third of firms surveyed indicated that over 75% of their clients have a financial plan, while nearly half serve fewer than 25%, reflecting varying thresholds, advisor discretion. Next to that not all clients want a financial plan.



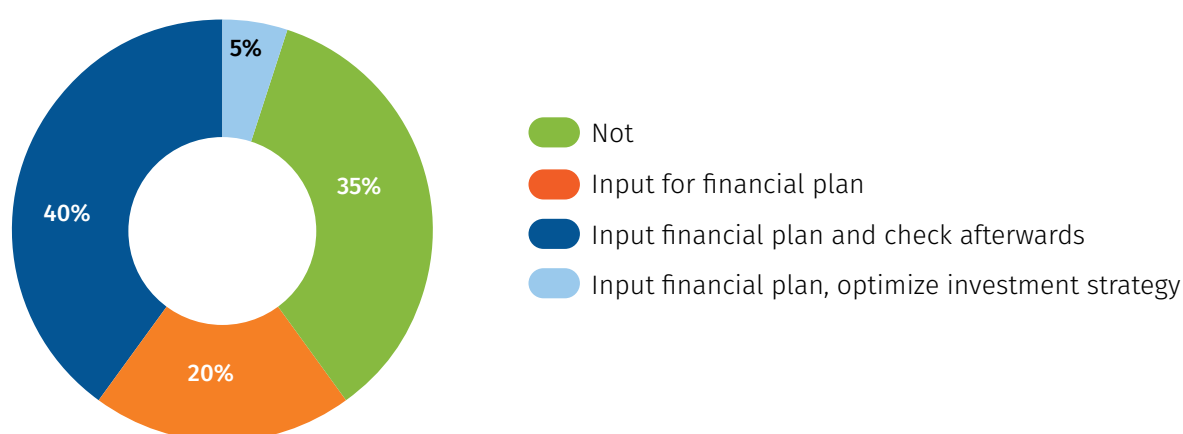
However, plan updates typically occur on a one- to three-year cycle and are often triggered by scheduled reviews rather than real-time changes in client circumstances.

Despite broad availability, ongoing goal monitoring remains limited. Few firms have embedded dynamic capabilities into their planning tools, highlighting a clear opportunity to better support evolving client needs and maintain suitability over time.

### 3.2. Alignment of investment suitability and financial planning

Alignment between investment suitability assessments and financial planning remains inconsistent across Canadian firms. This is only about part of the KYC, for example assets, liabilities, income and expenses, etc. The information that is overlapping between KYC and financial planning. One-third report no formal linkage between risk profiling and the planning process. Another 20% use risk questionnaires as a one-time input, without periodic validation.

**How do you align the results of the risk questionnaire (investment suitability) with the financial plan?**



A further 40% conduct informal consistency checks, while only 5% have implemented structured processes that integrate risk tolerance with planning assumptions.

This fragmented approach poses risks. Without clear integration, firms may deliver strategies that are misaligned with a client's evolving goals or risk capacity—particularly as life circumstances or market conditions shift.



Strengthening this connection presents a significant opportunity. By embedding structured, data-driven alignment mechanisms, firms can ensure that suitability assessments remain dynamic and relevant. This not only supports compliance with Client Focused Reforms but also enhances the precision, consistency, and client value of investment advice.

**” Strengthening the alignment between suitability assessments and financial planning presents a significant opportunity to improve consistency, compliance, and client relevance of investment advice.**

## 4. Advancing suitability implementation

As regulatory complexity increases, financial institutions are navigating a convergence of trends reshaping investment suitability: accelerated digitization, a shift toward holistic, client-centric models, and a sharper focus on risk governance and personalized advice. Leading firms are responding by leveraging process innovation and technology to align compliance with strategic priorities and rising client expectations.

### 4.1. Enhancing transparency

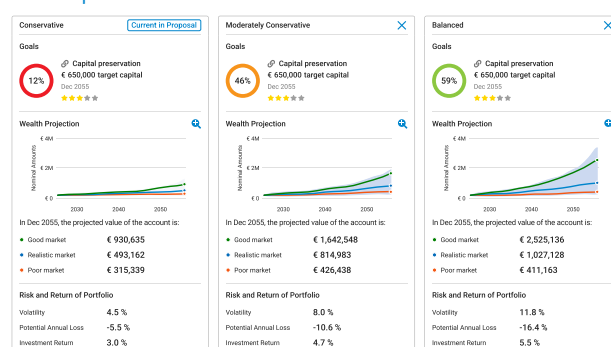
Across European markets, firms are increasingly adopting practices that enhance transparency by illustrate and compare investment alternatives during the advisory process. This approach helps investors better understand the rationale behind recommendations, fostering more informed and confident decision-making.

Visual insights—such as those illustrated in example 1 and 2 used in the investment decision making process—are central to this approach. The first emphasizes portfolio-specific metrics, while the second incorporates client-specific factors like financial goals and projected capital development. These

Example 1

	Conservative	Balanced	Growth	Aggressive Growth
<div> <div></div> US stock           <div></div> Foreign stock           <div></div> Bond           <div></div> Short-term investments         </div>				
Annual return %				
Average annual return	5.89%	7.83%	8.80%	9.47%
Best 12-month return	31.06%	76.57%	109.55%	136.07%
Worst 12-month return	-17.67%	-40.64%	-52.92%	-60.78%
Best 20-year return (annualized)	10.98%	13.83%	15.34%	16.49%
Worst 20-year return (annualized)	2.92%	3.43%	3.10%	2.66%

Example 2



visualizations can be simplified to accommodate clients with varying levels of investment knowledge. As noted in the CIRO annual compliance report, Canadian firms have room to improve product-level comparisons. Expanding alternative comparisons at the account level helps to communicate risk as a relative measure and enables clients to better understand and evaluate their investment options.

## 4.2. From product advice to a more holistic approach

An increasing number of firms are shifting toward a unified, client-level approach for risk profiling, often based on a single questionnaire. As discussed earlier, the shift to a client-level profile prompts implementation questions—particularly regarding justified deviations across accounts.

The growing availability of client-level digital data enables a more **comprehensive view of total risk exposure**, paving the way for more personalized and holistic investment advice. Such insights support a shift from isolated account-level suitability assessments toward an integrated, client-level framework that reduces the potential for overlooked or hidden risks across multiple portfolios.

Two implementation models illustrate this shift. In both cases, the green circles represent individual accounts, while the blue circle indicates the aggregated or household risk level:

**Approach A (Left):** All accounts adopt the same “Medium” risk profile, with isolated adjustments (e.g., lower risk for a short-term horizon).

**Approach B (Right):** One or multiple accounts assume higher or lower risk levels for specific objectives, while maintaining overall consistency at the client level.



While Approach A offers consistency, it may limit the client’s ability to optimize outcomes—particularly if one account could justifiably assume a lower or higher risk in pursuit of a distinct objective.

Currently, few firms aggregate risk across portfolios. Most require strict alignment of each account with the client’s profile, allowing exceptions only under well-defined circumstances. As firms advance digital capabilities and face growing regulatory demands, the challenge becomes clear: how to design mechanisms that balance consistency, efficiency, personalized advice and good outcomes at scale.

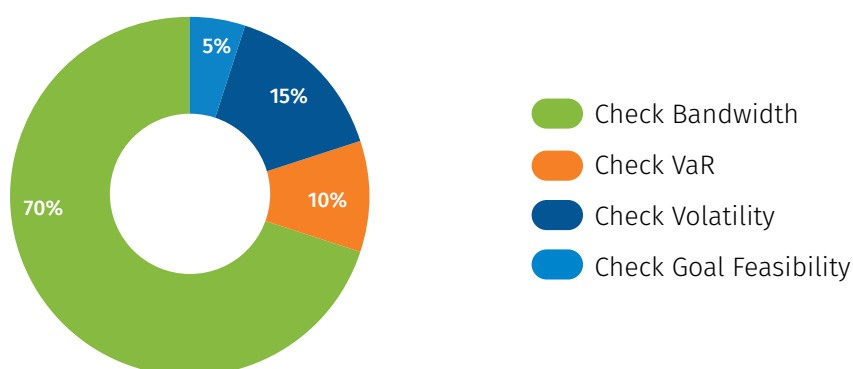
### 4.3. Digitization and efficiency

The frequency at which client financial information is updated remains closely aligned with regulatory requirements governing client communication. Discretionary portfolio managers typically conduct annual reviews of client data, while non-discretionary or advisory firms generally adhere to a two to three-year review cycle—unless material changes in a client’s financial situation necessitate an earlier update. All participating firms indicated that these updates are conducted through in-person meetings, underscoring a continued preference for direct client interaction over the use of digital channels.

Manual processes remain prevalent. Most firms reported updating financial goals manually, alongside other key financial inputs. Although the availability of digitally sourced client data is expected to increase over time, current integration remains limited.

Around two-thirds (70%) of respondents indicated that risk profiles are monitored automatically, primarily by reviewing asset allocations against predefined thresholds within the Investment Policy Statement (IPS). Other firms track additional risk metrics, such as portfolio volatility and potential loss.

#### How do you monitor if the risk of the portfolio is in line with the agreed risk profile?



Relying exclusively on asset allocation monitoring to assess investment suitability can introduce blind spots—especially in accounts with broad allocation ranges. In such cases, static monitoring mechanisms may overlook meaningful shifts in risk exposure that diverge from a client’s intended profile. To support pro-active risk management of accounts, additional controls and dynamic safeguards may be necessary, as supported by recent industry research.



## 5. Reframing suitability: Conclusions and recommendations



*With a more holistic and personal approach it is possible to deliver more added value and support investors with improved investment decision making in an efficient way.*

Drawing on qualitative interviews, market trends, and lessons from European regulation, this study identifies clear imperatives for advancing investment suitability in Canada.

### 1. Significant variation in implementation of CFRs

While the Client Focused Reforms (CFRs) have laid the groundwork for enhanced investor protection, implementation varies significantly. Canadian firms are in an important phase of translating regulatory intent into operational reality—highlighting the need for greater consistency in how suitability is assessed and applied.

### 2. Regulatory clarity will accelerate maturity

Industry stakeholders consistently call for more detailed guidance and supervisory feedback. As in the European MiFID II experience, evolving regulations are expected to push firms toward more transparent, personalized, and outcomes-focused investment advice models.

### 3. A client-centric approach enhances suitability and risk management

There is a clear opportunity to embed client context—goals, financial circumstances, and behavioral preferences—into suitability frameworks. Although risk tolerance and capacity assessments are improving, their integration into portfolio decisions remains uneven.

### 4. Household-level risk profiling drives better client outcomes

Most firms still focus on account-level profiling. Yet the value of aggregating risk at the household level as an extra layer is clear: it enables more accurate risk oversight and alignment with broader financial goals. Operationalizing this model requires structured, transparent frameworks.

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1. Geerts, V., Loonen, T. & Janssen, R. (2022). *Big differences in risk between European Banks for private investors*. ESB, July 2022

### **5. Digital transformation is key to advisory efficiency and scalability**

Digital transformation is essential for improving both compliance efficiency and client engagement. Canadian firms continue to rely heavily on manual processes—limiting scalability and the ability to provide proactive, data-driven advice. Automation, real-time alerts, and dynamic monitoring can elevate advisors into the role of financial coaches.

### **6. Integrating investment risk strengthens financial planning**

Despite broad adoption of financial planning services, risk assessments often remain siloed. Linking investment risk with planning assumptions and goal feasibility would significantly improve the accuracy and relevance of recommendations.

### **7. System integration as enabler**

Operationalizing holistic suitability models will require investment in connecting platforms, data governance, and advisor enablement tools. These systems are critical to bridging the gap between regulatory compliance and meaningful client value, advancing the financial well-being of Canadian investors.

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Chuck teaches courses on institutional investing, personal wealth management and Fintech at the Ivey Business School and serves as the Program Director for the Financial Wellness Lab. He has a particular interest in the area of financial advice and the impact of emerging technologies. Prior to pursuing his passion for teaching Chuck held a progression of senior management positions with one of Canada's largest insurance and wealth management companies.



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Ronald Janssen studied econometrics at Erasmus University in Rotterdam. After graduation, he worked as a financial planner for clients in the high-net-worth segment. On joining Ortec Finance in 2002, he then realized OPAL, Ortec Finance's goals-based advisory solution. As Head of Research & Innovation, Ronald is responsible for the further development of goals-based advisory solutions for the international wealth management market.

In addition to his work at Ortec Finance, Ronald lectures at Erasmus University, works with the University of Maastricht, and is a member of the Accreditation Committee and Risk Parameters Committee of the CFA NL. He has also written a book about goals-based investing and regularly contributes to professional journals, including The Journal of Wealth Management, Expert Magazine Financial Planning, and Investment Officer.



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After earning his MBA from McGill University, Roger Hernandez spent nearly a decade advising high-net-worth individuals and families in Canada's wealth management sector. As a wealth consultant with a private bank based in Toronto, Roger specialized in crafting financial strategies tailored to the evolving needs of affluent clients, including investment strategy formulation, risk assessment, and portfolio optimization.

With a keen focus on goals-based investment planning, Roger joined Ortec Finance to support the development and distribution of cutting-edge investment solutions. A Chartered Investment Manager and an affiliate of the Toronto Chapter of the Society of Trust and Estate Practitioners, Roger remains actively engaged in the professional community, ensuring his expertise stays at the forefront of industry advancements.



# **From compliance to client value:** Evolving investment suitability in Canada