
Enhance Your KYP Process

Webinar: Explore our bestbuilt® Hypotheticals self-service tool

New **Know Your Product (KYP) requirements** for advisors are coming soon from the Canadian Securities Administrators, IIROC and the MFDA. In this webinar, Franklin Templeton's Jared Goodman talked about how we can support your adjustment to the regulations. Jared gave a practical demonstration of our **bestbuilt tool** and how it can help you with the KYP rules. Here are key takeaways.

New KYP requirements for advisors

The new KYP requirements are scheduled to take effect on December 31 as part of the **Client Focused Reforms (CFR)**. The regulators consider the CFR an important investor protection initiative that's based on the concept the client's interests come first in the client-registrant relationship. Under **new suitability requirements**, advisors will be required to review a client's suitability when there are fund changes as well as changes to KYC information. Also, advisors will have to compare a recommended security to a reasonable range of alternatives available through their firm.

The **KYP requirements** are meant to support the suitability obligation. Advisors must have an understanding of what they recommend to clients. The more complex or risky the investment, the more detailed consideration you're expected to give. Advisors must only sell what is approved at their firms. These KYP responsibilities cannot be waived or delegated.

Bestbuilt can help with recommendations

Bestbuilt is an online tool that allows you to deep-dive into a product recommendation. You can use bestbuilt to develop what can be considered "second opinion" fund reviews, then test the investment ideas before making a recommendation to a client. You can start by accessing the entire universe of Canadian mutual funds, hundreds of ETFs, and segregated funds. Funddata is the data source. Then you can do a fund comparison between a current portfolio with a new investment idea or a hypothetical portfolio. Bestbuilt can evaluate your recommendations against an existing portfolio by using a comprehensive set of performance and risk measurements. This analysis is unbiased and includes portfolio performance, risk metrics, diversification, holdings, and upside/downside capture ratios – many points that contribute to a thorough KYP due diligence.

Once an analysis is generated, you can select the components that you want to share with your client and create a customized, client-friendly report that you can print or email. That proposal report can include a summary of the rationale and benefits of the hypothetical investment idea and why the recommendation should be accepted. Proposal reports can be kept on file to help support your KYP documentation.

How can advisors use bestbuilt?

Advisors can use the bestbuilt tool in different ways, and Jared gave three examples:

1. Some advisors use bestbuilt to do their own investment and portfolio comparisons and analysis to generate recommendations to clients.
2. Other advisors proactively work with their Franklin Templeton reps to generate comparison portfolios through bestbuilt. After a consultation about the needs of the client, we input the information from the advisor to generate proposals for investments or portfolios which are sent back to the advisor within 24 to 48 hours for the client presentation. This way of using bestbuilt can also offload some administrative work for the advisor.
3. Certain advisors who run their own model portfolios also work with **Franklin Templeton Portfolio Consulting Services** for more comprehensive portfolio reviews, including forward-looking risk metrics like stress testing. This approach can provide an unbiased view of true portfolio construction toward meeting a client's objectives.

The bestbuilt® Hypotheticals tool is easy to use, intuitive, comprehensive and unbiased. Its fund-to-fund comparison functionality can help you develop “second opinion” reviews and test investment ideas before making a recommendation.

How Franklin Templeton Can Help

Ahead of the new KYP requirements, we're offering advisors a **regularly scheduled KYP review** of your Franklin Templeton holdings. Our goal is to simplify the product review process to help you remain focused on your practice. The process involves **3 easy steps**:

1. **Contact your Franklin Templeton representative to schedule a meeting.**
2. We will review your current assets with Franklin Templeton to address specific KYP requirements such as performance, holdings, management fees, risk levels and any updates needed for KYP.
3. You will receive documentation to confirm the information discussed in the review and have it available for your records.

bestbuilt® Hypotheticals

You can use this self-service tool to generate comparisons of fund and portfolio returns, risk metrics and income scenarios across thousands of funds and hundreds of index options.

bestbuilt® Hypotheticals can help you develop recommendations, test-drive your best ideas and deliver professional reporting, making it easier for you to showcase your value as a financial advisor.

Portfolio Consulting Services

If you require a more sophisticated guided review, [Franklin Templeton Portfolio Consulting Services \(PCS\)](#) may be better suited to your needs. PCS offers a range of portfolio services to help improve the risk profiles of your model portfolios, with the goal to improve client outcomes. We can run analytics on your model portfolios, evaluate your fund matrix, run a diagnostic on your portfolio, or compare models. Our analysts can conduct an in-depth portfolio review that uses multiple risk lenses and analytics to deliver insights and address potential areas of concern.

Please note this webinar summary is not, and should not be considered, legal advice. This presentation reflects our understanding of the CFRs as of October 6, 2021, and our interpretation will likely evolve and change over time. Please consult with your firm's or dealer's legal and/or compliance staff for advice about your policies and procedures related to securities regulation and the CFRs.

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