

Compliance with the Suitability and Appropriateness of Advice



Suitability and Appropriateness is a priority for wealth management and private banking firms, but it has historically been a difficult process for firms to standardize and demonstrate. In the U.K., compliance requirements for the Suitability and Appropriateness of advice are defined in:

- The regulations of MiFID and MiFID II
- The Conduct Of Business sourcebook (COBS) 9 and 10, from the FCA handbook
- Thematic Reviews by the FCA

Regulators are primarily concerned with the protection of retail clients and many firms have been fined following reviews, usually due to weaknesses in systems and controls.

NexJ is the pioneer of Intelligent Customer Management, which helps firms determine and demonstrate the suitability and appropriateness of products and services sold, including initial assessments; trade idea generation, recommendations, and advice; ongoing information and portfolio turnover reviews; and governance and monitoring. NexJ provides:

- A holistic, shared view of all client data, including current and historical classifications, recommendations, transactions, knowledge and experience, risk tolerance, etc.
- Client interaction recording and documenting across all devices and integrated channels
- Guided form fill and workflow for onboarding, account review, generation of client mandates, and other processes
- Integration of data sources and applications such as trading, product, portfolio, and CRM to ensure suitable and appropriate recommendations and portfolio balancing
- Real-time, graphical dashboards for management oversight and governance
- Notifications, alerts, and escalation for issue resolution

Seamlessly Embed Requirements Into Daily Business

- Create a holistic, client-centric view of all available data
- Ensure all data required to classify clients and assess client circumstances is collected and reviewed on a regular basis
- Record and document all client interactions in the contact record
- Notify advisers and management when exceptions occur or portfolios are out-of-balance

Suitability Assessment for Tim Lamont

FORM STEPS RELATED TASKS

10 Suitability
Review data before submitting.

S1. Needs

☒ Investments ☒ Taxes ☐ Pensions
☐ Liabilities ☐ Wealth attrition ☐ Other

S2. Knowledge & Experience

1. CDOs/CBOs/CLOs
☒ Wish not to trade ☐ Knowledge

2. Commodities
☐ Wish not to trade ☒ Knowledge

3. Contract for Difference
☐ Wish not to trade ☐ Knowledge

S3. Risk Tolerance

What is the preferred split in assets given the following?

Investment Option A

-10% -5% 0% 5% 10% 15% 20%

S4. Risk Ability

1. What are the expected annual savings compared to free assets?

☐ Low (<2%) ☐ Moderate (>=2 and <5%)
☐ Medium (>=5% and <10%) ☒ Enhanced (>10% and <20%)
☐ High (<20%)

2. The extent of free assets expected to finance cost of living after retirement?

☐ Almost all free assets (>60% and <=100%)
☐ Most free assets (>30% and <=60%)
☐ Some free assets (>0% and <=30%)
☒ None of the free assets (0%)

S5. Risk Scores Based on Answers

Risk tolerance score
4

Risk tolerance
Enhanced

Risk ability score
5

Risk ability
High

PREVIOUS DOCK SAVE NEXT

NexJ's Intelligent Customer Management products enable firms to determine and demonstrate the suitability and appropriateness of products and services sold, in compliance with MiFID II and the FCA, including requirements for initial assessments; trade idea generation, recommendations, and advice; ongoing information and portfolio turnover reviews; and governance and monitoring.

Initial Assessment

Guide users through structured information gathering and workflow to determine and document the client's classification, knowledge, and experience. Leverage rules and information about the client's financial position, risk tolerance, and ability to bear loss to generate and distribute the client's advisory mandate. Protect against future client concerns about risk or losses by storing a copy of the client's advisory mandate with the contact profile, as well as a record of all interactions with the client, including telephone call recordings, emails, and distributed documents.

Trade Idea Generation, Recommendations, and Advice

Ensure and document that recommendations and advice meet the client's investment objectives, risk tolerance, and K&E through pre- and post-trade suitability workflows integrated with product, portfolio, and trade systems. Record and document client acceptance of recommendations or requests for alternate trades in the unified contact profile, through integration with telephony and email systems. Alert advisers in real-time when a portfolio moves out of balance or when suitable opportunities arise, and launch the appropriate workflow. Provide and document warnings in a durable format each time a client chooses to proceed with a transaction the advisor does not think is suitable.

Information and Portfolio Turnover Reviews

Confirm and update key client data and circumstances regularly by automatically scheduling standardized review tasks in a frequency appropriate for the type of client, portfolio, etc. or when the composition of a discretionary portfolio changes. Leverage rules to identify stale accounts or flag portfolio turnover that indicates churn or neglect, and prompt for review. Alert managers when rules are broken or reviews are overdue. Managers can also monitor completion statistics and management summaries are graphical, real-time dashboards.

Governance and Monitoring

Embed client best interest practices throughout the business using workflows, a shared client view, and real-time dashboards. Model user hierarchies to understand team and reporting structures. Standardize evaluation and approval processes for client set-up and periodic reviews. Enable users at each level of the organization to manage and monitor the appropriate information, such as trade volumes, account opening issues, suitability assessments, periodic review status, and more, on real-time, graphical dashboards. Leverage integration with trade and portfolio systems to identify anomalies, such as an advised trade with no Suitability and Appropriateness assessment, alert management, and launch remediation workflows.

To learn more, visit www.nexj.com or email info@nexj.com



NexJ Systems Inc.

10 York Mills Road, Suite 700,
Toronto, Ontario M2P 2G4

P: 416 222 5611 F: 416 222 8623
info@nexj.com www.nexj.com

About NexJ Systems

NexJ Systems is the pioneer of Intelligent Customer Management. Our award-winning CRM is designed to help Wealth Management, Private Banking, Corporate and Commercial Banking, and Insurance firms revolutionize their business. Powered by artificial intelligence, our products help drive productivity, boost client engagement, and increase revenue. With users in over 60 countries, our customers benefit from our deep expertise across financial services verticals, strategic investment in innovation, and commitment to their success.

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