Know Your Customer (KYC)

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Know Your Client or Know Your Customer (KYC) is a standard in the investment industry that ensures investment advisors know detailed information about their clients' risk tolerance, investment knowledge, and financial position. KYC protects both clients and investment advisors. Clients are protected by having their investment advisor know what investments best suit their personal situations. Investment advisors are protected by knowing what they can and cannot include in their client's portfolio. KYC compliance typically involves requirements and policies such as risk management, customer acceptance policies, and transaction monitoring.

The Know Your Client (KYC) rule is an ethical requirement for those in the securities industry who are dealing with customers during the opening and maintaining of accounts. There are two rules which were implemented in July 2012 by Financial Industry Regulatory Authority (FINRA) and is covered by two rules:

- FINRA Rule 2090 (Know Your Customer)
- FINRA Rule 2111 (Suitability)

These rules are in place to protect both the broker-dealer and the customer and so that brokers and firms deal fairly with clients.

Source: https://www.investopedia.com/terms/k/knowyourclient.asp

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