

Conflicts of Interest

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What is a conflict of interest?

- A conflict of interest arises when there is an actual or perceived conflict between the interests of one party and their duties, obligations and responsibilities towards another party.



What do the CSA and IIROC say about conflicts of interest?

- *Identify* material conflicts of interest that exist and that may arise
- *Address* actual or potential conflicts – consider, avoid, supervise
- *Disclose* unavoidable conflicts
- Develop and maintain written policies
- Educate and train all employees

What types of conflicts arise for
Investment Dealers, their
registrants, and employees?



i) General conflicts of interest policies for investment dealers that may affect all employees:

- Personal trading
- Gifts and entertainment
- Private investments
- Outside business activities
- Charitable contributions
- Political contributions
- Confidential information
- Referrals



ii) Firm vs Client Conflicts

Conflicts where the firm's interests may be in conflict with the client's interests

- The firm or its affiliates perform multiple roles with respect to a client transaction, e.g. advisor, underwriter, lender, principal counterparty, derivative counterparty
- Liability trading versus agency trading in the same security
- Tied-selling policies
- Fee-based account policies
- Referrals



iii) Client vs Client Conflicts

Conflicts where one client's interests may be in conflict with another client's interests

- New issue distributions
- Multiple secondary market trade orders for a group of clients
- Trader with dual roles – serving both bank clients and dealer clients in trade allocations
- Corporate finance M&A mandates involving multiple client bids or offers
- Research distribution policies



iv) Employee vs Client Conflicts

Conflicts where employees may put their own interests ahead of the clients

- Special employee product or service compensation incentives
- Outside business activities involving issuers
- Undisclosed referral fees



v) Employee vs Firm Conflicts

Conflicts where the employee may put their interests ahead of the firm's interest

- Personal trading, e.g. front-running
- Outside business activities that may compete with the interests of the firm or clients
- Undisclosed referral arrangements



vi) Vendor vs Client Conflicts

Conflicts where vendor interests may compete with the firm or client interests

- Protecting or misusing client's confidential or personal information during or after the business relationship has ended



Regulatory and Legislative References

- [IIROC Rule 29](#): Business Conduct
- [IIROC Rule 42](#): Conflicts of Interest
- [IIROC Rule 43](#): Personal Financial Dealings with Clients
- [IIROC Rule 3400](#): Research Restrictions and Disclosure Requirements
- [OSC Policy 33-601](#): Guidelines for Policies and Procedures Concerning Inside Information
- [National Instrument 31-103](#): Registration Requirements and Exemptions
 - 13.4 - 13.6: Conflicts of Interest
- [National Instrument 33-105](#): Underwriting Conflicts
- [MFDA Rule 2](#): Business Conduct
 - Rule 2.1.4: Conflicts of Interest



Q&A

Thank You