

# Conflicts of Interest

Kelley Hoffer  
Leo Purcell  
Jeremy Devereux

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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