

## **SECTION 10 CONFLICTS OF INTEREST**

### *Definition of Conflict of Interest*

In certain relationships, individuals or the general public place their trust and confidence in someone to act in their best interests. When an individual has the responsibility to represent another person—whether as administrator, attorney, executor, government official, or trustee—a clash between professional obligations and personal interests arises if the individual tries to perform that duty while at the same time trying to achieve personal gain. The appearance of a conflict of interest is present if there is a potential for the personal interests of an individual to clash with these professional obligations or fiduciary duties.

Approved Persons must be aware of the possibility of conflicts of interest arising with business conducted for a client. In the event that such a conflict or potential conflict of interest should occur between a client and an Approved Person, Head Office must be informed immediately and the matter reviewed with the Approved Person prior to them transacting any further business after the conflict of interest became apparent in an endeavour to resolve the conflict. The procedure is outlined in the section entitled Monitoring and Controlling Personal Financial Dealings with Clients.

### *Regulation of Personal Financial Dealings and Private Investment Schemes with Clients*

MFDA Rule 2.1.1 requires Altimum Mutuals Inc. and its Approved Persons to deal fairly, honestly and in good faith with clients; to observe high standards of ethics and conduct in the transaction of business; and to refrain from engaging in any business conduct or practice which is unbecoming or detrimental to the public interest.

As per MFDA Rule 2.1.4 Altimum Mutuals Inc. requires all its Approved Persons to report in writing conflicts or potential conflicts of interest to the Chief Compliance Officer immediately upon becoming aware of such conflict or potential conflict. Any conflict or potential conflict of interest that arises as referred to in Rule 2.1.4 (a) shall be immediately disclosed in writing to the client by Altimum Mutuals Inc. and the Approved Person as Altimum Mutuals Inc. directs, prior to Altimum Mutuals Inc. or the Approved Person proceeding with the proposed transaction giving rise to the conflict or potential conflict of interest.

In the event that such a conflict or potential conflict of interest arises, Altimum Mutuals Inc. and the Approved Person shall ensure that it is addressed by the exercise of responsible business judgment influenced only by the best interests of the client and in compliance with rules 2.1.4 (c) and (d). The appropriate course of action will depend on the nature of the conflict of interest and the client's circumstances. In situations involving a potentially significant conflict of interest, the exercise of responsible business judgment may require a prohibition on the type of transaction giving rise to the conflict.

As per MFDA Rule 3.2.1. and Member Regulation Notice MR-0047:

- a) An Approved Person is not to be involved in any kind of credit relationship with a client. This covers both borrowing from a client and lending to a client. Do not lend you client money to buy an RRSP on the last day of RRSP season. Do not borrow or lend to any client for any reason.
- b) An Approved Person is not to enter into a Joint Account or other arrangement that is equivalent to a joint investment with a client. It is the responsibility of the Approved Person to disclose any such arrangements currently maintained and the Chief Compliance Officer, in consultation with the Approved Person, will decide whether to direct the Approved Person to forfeit the Joint Account privileges or to reassign the account to another Approved Person.
- c) An Approved Person is not permitted to co-invest with a client or to enter into arrangements where client funds are put into investments that are to be directly or indirectly managed by the Approved Person.
- d) An Approved Person is not to administer an Investment Club in which his own money is intermingled with that of clients.
- e) An Approved Person is not to make any kind of payment to a client or enter into any kind of 'client appreciation' arrangement where the annual monetary or non-monetary benefit to the client is greater than \$150.00 or such other amount as the Chief Compliance Officer may deem in writing to be of nominal value.
- f) All such monetary and non-monetary benefits, whether provided directly or indirectly to clients must flow through Altimum so that Altimum is in a position to determine the significance of the benefit and to monitor such activity.
- g) With respect to the resolution of complaints, no Approved Person may enter into any settlement agreement with a client without the prior written consent of the Member.
- h) An Approved Person is not to enter into a business arrangement with a Client as a partner, shareholder, director or officer of the business owned, co-owned, or controlled by the Client. (An Approved Person may under certain circumstances properly be involved in a business arrangement as a partner, shareholder, director or officer of a business owned, co-owned or controlled by the client. If any such arrangements are approved by Altimum Mutuals Inc. written disclosure to clients regarding any such arrangement will be tailored to the particular situation, so that the client understands the nature and extent of all relevant conflicts of interest. Refer to Member Regulation Notice MR-0040 for additional information.)
- i) An Approved Person is required to inform the Chief Compliance Officer of any situations that may be in contravention of the above policies.

### *Monitoring and Controlling Personal Financial Dealings with Clients*

Altimum Mutuals and our Approved Persons shall not lend or extend credit to a client. Altimum Mutuals Inc. does not allow its Approved Persons to personally pay for Mutual Fund purchases with a personal cheque from their own bank account or a bank draft drawn on their account for the benefit of the client. Altimum Mutuals Inc. will not accept such financial instruments from its Approved Persons to purchase Mutual Funds for their clients.

Altimum Mutuals Inc. must be made aware in advance of any personal financial or business dealings between its Approved Persons and its clients. All monetary and non-monetary benefits provided directly or indirectly to or from clients must flow through Altimum Mutuals Inc. Altimum Mutuals Inc. must be notified of these arrangements in advance.

Approved Persons are required to disclose to Altimum Mutuals Inc. any involvement with any type of credit arrangement involving their clients; entering into joint accounts or other arrangement that is equivalent to a joint investment with a client; and any form of “client appreciation” arrangement that may be entered into where the monetary or nonmonetary benefit is more than nominal value. Non-monetary benefits such as gifts or charitable donations can be used to circumvent the guidelines and rules noted above. For example, they can be used as a way of negotiating private settlements aimed at concealing a breach of MFDA requirements on the part of the Approved Person. They may also be used as off book compensation for activities being carried on in an inappropriate way. Substantial gifts to clients in exchange for referrals may be used to employ clients to engage in registerable activity.

In general, monetary and non-monetary benefits provided to or from clients that are of nominal value do not present concerns regarding conflicts of interest. Monetary and non-monetary benefits provided to or from clients that are of nominal value (under \$150) do not present concerns regarding conflict of interest and do not have to be disclosed. This nominal value threshold is similar to that permitted under section 5.6 of National Instrument 81-105 so long as the provision of the benefits is neither so extensive nor so frequent as to cause a reasonable person to question whether the provision of the benefits will improperly influence the advice given by the Approved Person to his or her clients.

All monetary and non-monetary benefits provided directly or indirectly to or from clients must flow through Altimum Mutuals Inc. Altimum must be notified of any such arrangements, so that Altimum is in a position to determine the significance of the benefit and to monitor the activity.

Once Altimum Mutuals Inc. becomes aware of any of the above situations it will determine if the Approved Person may or may not carry on with such an activity. In general Altimum Mutuals Inc.:

- 1) Does not approve of any credit arrangement between its Approved Persons and their clients;
- 2) Does not approve of its Approved Persons entering into joint investment accounts with their clients;
- 3) Does not approve of its Approved Persons having any form of 'client appreciation' arrangements where the monetary or non-monetary value is more than nominal value (under \$150).

If any such arrangements are approved by Altimum Mutuals Inc. written disclosure to clients regarding any arrangement will be tailored to the particular situation, so that the client understands the nature and extent of all relevant conflicts of interest.

Altimum monitors the business it does for clients on the daily blotter and through use of the Compliance Survey in branch and sub-branch reviews looking for potential conflicts of interest and does not permit Approved Persons to do business for clients that would create a conflict or potential conflict of interest. Ultimately, however, the Approved Person is expected to identify such potential conflicts themselves and to bring those situations to the attention of the Chief Compliance Officer. When it is notified of a conflict of interest, Altimum will ensure that the conflict of interest is addressed by the exercise of responsible business judgement influenced only by the interests of the client and in compliance with MFDA rules. In many instances, this can be as easy as assigning another Approved Person to the client's account. The Approved Person is expected to work closely with and co-operate with the Chief Compliance Officer to resolve all situations that may result in a conflict of interest.

With respect to the resolution of complaints, in accordance with MFDA Policy 3, no Approved Person may enter into any settlement agreement with a client without prior written consent of Altimum Mutuals Inc.

When a Altimum Mutuals Inc. Approved Person wishes to hold a life insurance licence and has met the requirements to do so, Altimum Mutuals Inc. will give its permission to hold such a licence. This fact must be disclosed as a potential conflict of interest to the Approved Person's clients and prospective clients.

Refer to Member Regulation Notice MR-0047 for more information.