

## RULE 42 CONFLICTS OF INTEREST

### 42.1. Responsibility to identify conflicts of interest

- (1) ~~Each~~A Dealer Member ~~and, where applicable, Approved Person shall~~must take reasonable steps to identify existing material conflicts of interest, and ~~potential~~ material conflicts of interest that are reasonably foreseeable:
  - (a) \_\_\_\_\_ between the ~~interests of the~~ Dealer Member ~~or~~and the client, and
  - (b) \_\_\_\_\_ between each Approved Person acting on the Dealer Member's behalf and ~~the interests of~~ the client.
- (2) ~~Where an Approved Person becomes aware of an existing or potential~~An Approved Person must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, between the Approved Person and the client.
- (3) \_\_\_\_\_ If an Approved Person identifies a material conflict of interest, ~~the existing or potential conflict shall be reported immediately~~ under subsection 42.1(2), the Approved Person must promptly report that conflict of interest to the Dealer Member.

### 42.2. Approved Person responsibility to address conflicts of interest

- (1) ~~The~~An Approved Person must ~~consider the implications of any existing or potential~~address all material conflicts of interest between the client and the Approved Person ~~and~~in the best interest of the client.
- (2) ~~The~~An Approved Person must ~~address all existing or potential~~avoid any material ~~conflicts~~conflict of interest between the client and the Approved Person ~~and the client in a fair, equitable and transparent manner, and consistent with~~if the conflict is not, or cannot be, otherwise addressed in the best ~~interests~~interest of the client ~~or clients~~.
- (3) ~~Any existing or potential~~An Approved Person must not engage in any trading or advising activity in connection with a material conflict of interest ~~between~~identified by the Approved Person ~~and the client that cannot be addressed in a fair, equitable and transparent manner, and consistent with~~under subsection 42.1(2) unless:
  - (a) \_\_\_\_\_ the conflict has been addressed in the best ~~interests~~interest of the client ~~or clients, must be avoided, and~~
  - (b) \_\_\_\_\_ the Dealer Member has given the Approved Person its consent to proceed with the activity.

### 42.3. Dealer Member responsibility to address conflicts of interest

- (1) ~~The~~A Dealer Member must ~~consider the implications of any existing or potential~~address all material conflicts of interest between the Dealer Member and the client, including each Approved Person acting on its behalf, in the best interest of the client.
- (2) ~~The~~A Dealer Member must ~~address the existing or potential~~avoid any material conflict of interest ~~in a fair, equitable and transparent manner, and considering the best interests of the client or clients.~~(3) — Any existing or potential material conflict of interest between the client and the Dealer Member and the client that, including each Approved Person acting on its behalf, if the conflict is not, or cannot be, otherwise addressed in a fair, equitable and

~~transparent manner, and considering~~ the best ~~interests~~interest of the client ~~or clients, must be avoided.~~

- (43) ~~The~~A Dealer Member must adequately supervise how ~~existing or potential~~all material conflicts of interest between the client and the Approved Person ~~and the client~~ are addressed by its Approved Persons pursuant to section 42.2.

42.4. **Responsibility to disclose conflicts of interest**

- (1) ~~Unless avoided, an existing or potential~~A Dealer Member must disclose in writing all material ~~conflict~~conflicts of interest ~~must be disclosed~~identified under subsections 42.1(1) and 42.1(2) to the client ~~in all cases where~~whose interests are affected by the conflicts of interest if a reasonable client would expect to be informed: ~~of those conflicts of interest.~~
- (2) The information required to be disclosed to the client under subsection 42.4(1) must:
- (a) ~~for new clients, prior to opening an account for the client; and~~include a description of:
    - (i) the nature and extent of the conflict of interest,
    - (ii) the potential impact on and risk that the conflict of interest could pose to the client, and
    - (iii) how the conflict of interest has been, or will be, addressed,
  - (b) be presented in a manner that, to a reasonable person, is prominent, specific and written in plain language,
  - (c) be disclosed:
    - (i) before opening an account for the client if the conflict has been identified at that time, or
    - (b) ~~for existing clients, either as the conflict of interest occurs or, in the case of a transaction related conflict of interest, prior to entering into the transaction with the client;~~ii) in a timely manner, upon identification of a conflict that must be disclosed under subsection 42.4(1) that has not previously been disclosed to the client.
- (3) For greater certainty, a Dealer Member and an Approved Person do not satisfy subsections 42.2(1) or 42.3(1) solely by providing disclosure to the client.

42.5. **Conflicts of interest policies and procedures**

- (1) ~~Each~~A Dealer Member ~~shall develop and maintain written's~~ policies and procedures ~~to be followed in~~must specifically address identifying, ~~avoiding,~~ disclosing and ~~avoiding or otherwise~~ addressing material conflict of interest situation.

