

RULE 42: CONFLICTS OF INTEREST

42.1. Responsibility to identify conflicts of interest

- (1) A Dealer Member must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable:
 - (a) between the Dealer Member and the client, and
 - (b) between each Approved Person acting on the Dealer Member's behalf and the client.
- (2) 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 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) An Approved Person must address all material conflicts of interest between the client and the Approved Person in the best interest of the client.
- (2) An Approved Person must avoid any material conflict of interest between the client and the Approved Person if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.
- (3) An Approved Person must not engage in any trading or advising activity in connection with a material conflict of interest identified by the Approved Person under subsection 42.1(2) unless:
 - (a) the conflict has been addressed in the best interest of the client, 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) A Dealer Member must 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) A Dealer Member must avoid any material conflict of interest between the client and the Dealer Member, including each Approved Person acting on its behalf, if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.
- (3) A Dealer Member must adequately supervise how all material conflicts of interest between the client and the Approved Person are addressed by its Approved Persons pursuant to section 42.2.

42.4. Responsibility to disclose conflicts of interest

- (1) A Dealer Member must disclose in writing all material conflicts of interest identified under subsections 42.1(1) and 42.1(2) to the client 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) 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
 - (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) A Dealer Member's policies and procedures must specifically address identifying, avoiding, disclosing or otherwise addressing material conflict of interest situations.

Rule 42

Linkage (Cross-References)

>Notices (5)

[Notice No. 20-0239 – Rules Notice – Notice of Approval/Implementation – Client Focused Reforms – Housekeeping Rule Changes \(November 19, 2020\)](#)

[Notice No. 12-0225 — Rules Notice – Notice of Approval / Implementation — Client Relationship Model – Extension of implementation of the enhanced suitability assessment requirements prescribed by Dealer Member Rule 1300.1 \(July 19, 2012\)](#)

[Notice No. 12-0109 — Rules Notice – Guidance Note — Know your client and suitability - Guidance \(March 26, 2012\)](#)

[Notice No. 12-0108 — Rules Notice – Guidance Note — Client Relationship Model - Guidance \(March 26, 2012\)](#)

[Notice No. 12-0107 — Rules Notice – Notice of Approval / Implementation — Client Relationship Model – Implementation \(March 26, 2012\)](#)