

2.1.5(f) Conflicts of Interest Promotional Activities and Events - Monetary or Non-Monetary

MFDA Rule 2.1.4: Conflict of Interest requires the dealer and its Approved Persons to identify and resolve conflicts “by the exercise of reasonable business judgement influenced only by the best interest of the client.”

National Instrument 81-105: *Mutual Fund Sales Practices (Section 5.6)* allows mutual fund companies to provide advisors with non-monetary benefits of a promotional nature and of minimal value, and to engage in business promotion activities that result in APs receiving a non-monetary benefit.

Business promotional activities are non-monetary benefits of a promotional nature and are permitted if the provision of the activities is neither so extensive nor so frequent as to cause a reasonable person to question whether the provision of activities improperly influenced the investment advice given by the AP to their clients.

Promotional items activities and events include:

- promotional items
- business promotional events held by APs and HCI;
- business promotional events held by fund companies;
- promotional events held by any other organizations doing business with the HCI;
- charitable events and solicitations.

Promotional Items

Permitted Promotional Items

- include such items as coffee mugs, water bottles, hats, umbrellas, luggage tags, t-shirts, pens, notebooks, note pads, business card holders, USB keys, golf balls, paper weights;
- are of nominal value to a maximum \$75;
- must prominently display the providers name and/or logo; and
- must be of reasonable quantity and frequency.

Prohibited Promotional Items

- items that are of value in excess of \$75;
- items that do not display the providers name and/or logo;
- items that are of unreasonable quantity;
- items that are provided on unreasonable frequency;
- cash or equivalent, gift cards, computers, tablets, household appliances, cell phones, expensive bottles of alcohol or wine, expensive sporting goods, personalized clothing, gifts for life events (wedding, retirement, anniversary, etc.).

Reporting Requirements

- the AP must maintain a *Business Promotional Items, Events and Activities Log* to record the details of all promotional items, business promotional activities and events;
- the *Business Promotional Items, Events and Activities Log* is to remain current and must be made accessible to HCI Compliance and Branch Review Staff;
- the AP must report any instances of non-compliance within 10 days of becoming aware of the non-compliance to their Regional Compliance Officer or Branch Manager where the maximum values per event, per quarter, annual or annual aggregate have been exceeded;
- the AP must provide a copy of the Business Promotional Items, Events and Activities log as requested by HCI; and
- business promotional events and activities with a value exceeding **\$100** must be reported to the Regional Compliance inbox within 10 days of receiving the promotional items or attending a promotional event or activity.

HCI will periodically compare the AP reporting to the reporting received directly from the fund companies to ensure compliance with its Conflicts of Interest Promotional Activities and Events - Monetary or Non-Monetary policies and procedures.

Potential disciplinary actions may include, but are not limited to the following:

- restrictions on future promotional events and/or activities;
- mandatory remedial training;
- warning letter; and/or
- fine