

NATIONAL POLICY No. 18

CONFLICT OF INTEREST - REGISTRANTS ACTING AS CORPORATE DIRECTORS

The position of a representative of a registrant acting as a director of a public company is one that is fraught with the possibility of a conflict of interest. This arises more particularly in regard to questions of insider information and trading and timely disclosure.

The administrators (Commission) emphasize that all registrants should be most conscious of their responsibilities in such situations and weigh the burden of dealing in an ethical manner with the conflict of interest problems against the advantages of acting as a director of a public company, many shareholders of which may be clients of the registrant. In this regard, the statement on conflict of duty arising out of the position of registrants acting as directors of public corporations issued by The Toronto Stock Exchange on December 5th, 1978, is called to the attention of all registrants, whether members of The Toronto Stock Exchange or not, since it defines acceptable conduct in this area.

"Every director has a fiduciary obligation not to reveal any privileged information to anyone not authorized to receive it. Not until there is full public disclosure of such data, particularly when the information might have a bearing on the market price of the securities, is a director released from the necessity of keeping information of this character to himself. Any director of a corporation who is a partner, officer or employee of a member organization should recognize that his first responsibility in this area is to the corporation on whose board he serves. Thus, a member firm director must meticulously avoid any disclosure of inside information to his partners and employees of the firm, his customers or his research or trading departments.

Where a representative of a member organization is not a director but is acting in an advisory capacity to a company and discussing confidential matters, the ground rules should be substantially the same as those that apply to a director. Should the matter require consultation with other personnel of the organization adequate measures should be taken to guard the confidential nature of the information to prevent its misuse within or outside the member organization."

Whenever questions arise regarding the fitness for registration of individuals, the administrator (Commission) will consider the conduct of such individuals in relation to the manner in which they have complied with the standards set out above.