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**NEW BRUNSWICK SECURITIES COMMISSION
LOCAL RULE 11-504**

CONFLICT OF INTEREST AND CODE OF CONDUCT

1. Definitions

In this Instrument

“Act” means the *Securities Act* SNB 2004 c. S-5.5; (*loi*)

“blind trust” is a trust in which those who have been given authority over the trust have full discretion over the assets, and the trust beneficiaries have no knowledge of the holdings of the trust; (*fiducie sans droit de regard*)

“employee” means an individual employed in either a part-time or full-time capacity with the Commission; (*employé*)

“exempt securities” means those securities listed or referenced in Appendix “A” to New Brunswick Securities Commission Local Rule 11-504 *Conflict of Interest and Code of Conduct*; (*titres dispensés*)

“fully managed discretionary account” means

(a) an account under which

- (i) a person other than the account holder makes the investment decisions,
- (ii) a person other than the account holder has full discretion to trade in securities for the account without requiring the account holder's express consent to carry out transactions, and
- (iii) the account holder and the decision maker confirm in writing each year that the account holder has not been consulted on, influenced or attempted to influence the investment decisions.

- (b) an account for which the account holder may, notwithstanding the provisions of (i), discuss investment strategy and philosophy with the decision maker without affecting the eligibility of the account; (*compte discrétionnaire complètement géré*)

"Lead Member" means a part-time member of the Commission appointed under the *Act* who is also appointed in accordance with the Governance Policy; (*membre principal*)

"related party" means, in relation to a person:

- (a) any person to whom that person is married, or with whom that person is living in a common law or spousal relationship,
- (b) that person's child under the age of 19,
- (c) that person's relative who resides in the same house,
- (d) a trust for which that person is a trustee when an immediate family member is a beneficiary of the trust,
- (e) a corporation over which that person or a person in (a) or (c) exercises control in law or in fact, or
- (f) a business partner or associate of that person; (*personne apparentée*)

"supervisor" means

- (a) the Executive Director in the case of employees of the Commission,
- (b) the Chair in the case of the Executive Director, members of the Commission and supplementary members of the Commission, and
- (c) the Lead Member in the case of the Chair; (*surveillant*)

2. Purpose and application

- (1) Members of the Commission, supplementary members of the Commission and employees of the Commission discharge important public duties and accordingly are expected to comport themselves in a manner befitting the trust and confidence placed in them. The essence of the obligations set out in this rule are intended to ensure that public confidence and trust in the integrity, objectivity and impartiality of the Commission are conserved and enhanced.
- (2) This rule applies to
 - (a) the Chair,

- (b) members of the Commission,
- (c) supplementary members of the Commission, and
- (d) employees of the Commission.

3. General conduct

(1) No individual to whom this rule applies shall

- (a) use confidential information obtained in the course of employment with the Commission for personal gain.
- (b) act in a manner that might result in or create the appearance of
 - (i) a public office being used for private benefit, gain or profit,
 - (ii) a person receiving preferential treatment from the Commission,
 - (iii) the efficiency of the Commission being impeded or the resources of the Commission being misused, or
 - (iv) loss of independence or impartiality by the Commission.
- (c) act in a manner that might result in the loss of public confidence in the integrity of the Commission,
- (d) disclose, in advance or otherwise, confidential information unless authorized by law to do so,
- (e) use the individual's official position or authority to act in a matter in which the individual has a personal interest,
- (f) be involved, directly or indirectly, in any business or financial affairs or matters which conflict with the individual's official duties and responsibilities, or
- (g) engage in any activity that could result in a perception that the individual is not fulfilling the duties and responsibilities of the person's position impartially or effectively.

(2) An individual to whom this rule applies may seek a determination from his or her supervisor as to whether a proposed activity constitutes a prohibited activity under paragraphs (1)(a) to (g).

- (3) No individual to whom this rule applies shall hold office in or be a director of a registered firm or a reporting issuer, without the written permission of his or her supervisor.
- (4) A former member of the Commission, supplementary member of the Commission or employee of the Commission must not appear before the Commission, other than as a witness, on any matter on which that person has confidential information that was received by that individual during the term of that individual's appointment or employment.

4. Political activity

- (1) A member of the Commission, supplementary member of the Commission or an employee of the Commission must not
 - (a) engage in political activity while performing the work of the Commission,
 - (b) hold office in a federal or provincial party, or
 - (c) associate his or her position with political activity.
- (2) Subject to subsection (1), an employee of the Commission has the right to engage in political activity provided it is not done on Commission time or at Commission expense.
- (3) Subject to subsection (1), a member of the Commission or supplementary member of the Commission, given the nature of his or her quasi-judicial duties, must not engage in political activity which could result in a perception that the individual is not fulfilling the duties and responsibilities of his or her position impartially or effectively.

5. Transactions

- (1) No individual to whom this rule applies shall, whether directly or indirectly or through an associate, do any of the following:
 - (a) trade in a security of an issuer with knowledge of a material fact or material change in respect of that issuer that the individual knows or ought reasonably to know has not been generally disclosed,
 - (b) if the individual knows a fact about an issuer or of a change in the affairs of an issuer and that the fact or change is a material fact or material change in respect of the issuer, inform, other than in the necessary course of duty, another person of that material fact or material change before it has been generally disclosed,
 - (c) trade in a security of an issuer when the individual has knowledge that, in respect of any security held or issued by that issuer,

- (i) the filing of a prospectus, a preliminary prospectus or an amendment to a prospectus is being processed in confidence or is the subject of a pre-filing application or is being processed by New Brunswick as a principal regulator, or
 - (ii) an application is pending for a decision under the *Act* or the regulations under the *Act* by the Commission or the Executive Director,
- (d) trade in a security of an issuer when the individual has knowledge that the status of the issuer, under the *Act* or the regulations under the *Act*, is being investigated or otherwise considered to determine if there has been a violation of a provision of the *Act* or of the regulations under the *Act*, or
- (e) trade in a security of an issuer when the individual has knowledge that the issuer is under investigation by the Commission or the Executive Director, or is involved in an application or other proceeding before either of them or in a proceeding to which either of them is a party.
- (2) The Commission may require an individual subject to this rule, who acquires a security as a result of an intentional or accidental violation of subsection (1) to dispose of the security.

6. Obligation to report securities transactions

- (1) At the time of taking office or employment with the Commission, the Chair, each member of the Commission and employee of the Commission shall provide his or her supervisor with Form 11-504F1 *Initial Acknowledgement and Undertaking* disclosing the individual's direct or indirect beneficial ownership of, or control or direction over, securities not exempted by this rule and positions held as an officer or director of a registrant or issuer.
- (2) The Chair, each member of the Commission and employee of the Commission shall report to his or her supervisor any change in the individual's direct or indirect beneficial ownership of, or control or direction over, securities not exempted by this rule, within 10 days of the occurrence of the change, disclosing on Form 11-504F2 *Change Report to Form 11-504F1* or similar form.
- (3) The Chair, each member of the Commission and employee of the Commission shall certify compliance with this rule as of 1 July each year, by submitting a completed Form 11-504F3 *Annual Certificate of Compliance* to his or her supervisor with a current statement of holdings.

7. Disclosure of interest

The Chair, a member of the Commission, supplementary member of the Commission, Executive Director or any other employee of the Commission must advise his or her supervisor if

- (a) the individual has any interest in a security or any personal interest in an issuer or project that is the subject or part of the subject of any matter that
 - (i) in the case of the employee, is assigned to the employee as part of the employee's duties, or
 - (ii) in the case of the Chair, member of the Commission, supplementary member of the Commission or Executive Director, is being dealt with by the individual in the exercise or performance of powers or duties under the *Act* or regulations, or
- (b) the individual's prior employment or relationship with any person or prior involvement with any project may prejudice or affect
 - (i) in the case of the employee of the Commission, any matter assigned to the employee of the Commission as part of his or her duties, or
 - (ii) in the case of the Chair, member of the Commission, supplementary member of the Commission or Executive Director, the exercise or performance of powers or duties under the *Act* or regulations.

8. Exemptions

- (1) Persons to whom this rule applies may apply in writing for an exemption from the provisions of this Local Rule.
- (2) On an application under subsection (1) by the Executive Director, the Commission may grant the exemption if the Commission is of the opinion that the applicable provision is not appropriate in the circumstances.
- (3) On an application under subsection (1) by a person other than the Executive Director, the Commission or the Executive Director may grant the exemption if he or she is of the opinion that the applicable provision is not appropriate in the circumstances.
- (4) When an exemption is granted or refused under this section, a written notice of the decision and the reasons for it will be given to the person who requested the exemption and to the Commission, if given by the Executive Director.

9. Breaches and penalties

- (1) Where a person becomes aware of a breach of this rule, the person must report the possible breach to:
 - (a) his or her supervisor, or
 - (b) where a person is not comfortable reporting the possible violation to his or her supervisor, due to the nature of the violation or those involved, to the Chair of the Commission or the Chair of the Audit Committee.
- (2) The supervisor, Chair of the Commission, Chair of the Audit Committee, as applicable, has an obligation to investigate a possible breach reported to that individual.
- (3) In addition to any other redress specifically provided in this rule, any person who breaches this rule may be subject to disciplinary action up to and including the termination of that person's appointment or employment.

10. Effective date

This rule comes into force on 1 September 2010.

Appendix "A"
to
Local Rule 11-504 *Conflict of Interest and Code of Conduct*

EXEMPT SECURITIES
[Subsections 6(1) and (2)]

1. Securities held in a blind trust or in a fully managed discretionary account;
2. Securities referred to in subsections 2.34 to 2.39¹ of National Instrument 45-106 *Prospectus and Registration Exemptions*;
3. Personal promissory notes;
4. Securities received under dividend or distribution reinvestment plans;
5. Securities of a corporation which was not incorporated, continued or amalgamated under the laws of Canada or a province or territory thereof and is not a reporting issuer in any jurisdiction of Canada;
6. Securities of an issuer where:
 - (a) the securities are not offered for sale to the public, and
 - (b) the issuer does not, directly or indirectly, hold securities, other than exempt securities, of a reporting issuer;
7. Securities which are derivatives of exempt securities;
8. Securities issued by an investment fund;
9. Exchange-traded index participation units;
10. Securities bought under an automatic share purchase plan or similar kind of automatic plan, excluding securities acquired under a cash payment option of a dividend or interest reinvestment plan, a lump-sum provision of a share purchase plan, or a similar provision under a stock option plan;
11. A share as defined in the *Co-operative Associations Act* of New Brunswick;
12. A membership share of a credit union within the meaning of the *Credit Unions Act* of New Brunswick; and
13. Such other securities as may be designated for such purpose from time to time by the Commission.

¹ s.2.34 Guaranteed debt
s.2.35 Short-term debt
s.2.36 Mortgages
s.2.37 Securities re: Personal Property Security Act
s.2.38 Not for profit Issuer
s.2.39 Variable insurance contract

Form 11-504F1

Initial Acknowledgement and Undertaking
[Subsection 6(1)]

To: Chair / Lead Member / Executive Director, [*circle applicable reference*]
New Brunswick Securities Commission

I, _____, Chair / Lead Member / a member of the
Commission/ an employee of the Commission [*circle applicable reference*], hereby
confirm that:

1. I have read and understand the rule.
2. I undertake to comply in all respects with the provisions of the rule.
3. (For members of the Commission only) The attached is a complete and accurate disclosure of my direct and indirect beneficial ownership of, or control or direction over, securities not exempted by this rule, and positions held as an officer, director, promoter, insider or control person of a registrant or issuer now, or during the last five years, along with the periods during which I held those positions.
4. Check the applicable box
 - (a) I have attached hereto a portfolio statement containing a complete list of all securities beneficially owned, directly or indirectly, by me or over which I exercise control or direction, with the exception of exempt securities .
 - (b) I do not beneficially own, directly or indirectly, or exercise control or have direction over any securities with the exception of exempt securities.
5. I will complete, sign and file a Form 11-504F2 *Change Report to Form 11-504F1*, within ten days of the occurrence of a change to the information reported on Form 11-504F1.
6. No related party is employed by or affiliated with any registrant or its affiliate, or employed by any corporation, the business of which, either directly or indirectly, relates to the issuance, sale, purchase or investment of securities, except as follows:

Dated

Signed

(Print name)

Schedule "B"
to Form 11-504F1

Initial Report of Securities Holdings

1. Full Name of Undersigned: _____
(Please Print)

2. Position: Chair / Lead Member / member of the Commission / Executive Director / employee of the Commission [*circle applicable reference*]

3. In accordance with subsection 6(1) of this rule, I hereby list all securities, not exempted by Local Rule 11-504, held by me as of the _____ day of _____, _____, namely:

(You may list your securities holdings or append a copy of an up-to-date securities account statement and identify any established monthly purchases.)

4. I acknowledge that I have read and understood New Brunswick Securities Commission Local Rule 11-504 *Conflict of Interest and Code of Conduct* and agree to comply with the requirements of the rule.

5. Additional remarks:

Date

Signature

Form 11-504F2

**Change Report to Form 11-504F1
[Section 6(2)]**

I, _____, hereby confirm to the Lead Member / Chair / Executive Director [*circle applicable reference*] that the following changes to Form 11-504F1 are correct and complete.

(Identify item number and describe all changes with reference to Form 11-504F1. Use attachment if necessary. You may list your transactions, append a copy of your confirmation slips or updated account statements showing transaction activity. It is not required to report regular monthly purchases on this form if previously identified on Form 11-504F1.)

| Name & Type of Security | Amount or Number | Sale, Transfer or Purchase | Transaction Date | Insider Status Y or N |
|-------------------------|------------------|----------------------------|------------------|-----------------------|
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Additional remarks:

Dated

Signed

(Print Name)

Form 11-504F3

Annual Certificate of Compliance
[Subsection 6(3)]

I, _____, the Chair, / Lead Member / a member of the Commission or employee of the Commission [*circle applicable reference*], hereby confirm that:

1. I understand the provisions of the rule and confirm that I have observed them in all respects or except as otherwise disclosed to the supervisor.
2. I will continue to disclose in writing to the supervisor any changes in the information previously reported in Form 11-504F1 within 10 days of such changes.
3. I have reviewed the information that I previously reported in Form 11-504F1, and I confirm that all such information is true and accurate, except as set out and described below.

[Identify item no. in Form 11-504F1, along with details of change]

4. I have attached a complete list of all securities, not exempted, held by me as of the 1st day of July _____ or a copy of my statement of holdings as of that date.
5. Neither I nor any related party is employed by or affiliated with any registrant or its affiliate, or employed by any corporation, the business of which, either directly or indirectly, relates to the issuance, sale, purchase or investment of securities, except as is currently disclosed.
6. I do not hold office in nor am I a director, insider, control person or promoter of any registrant or of any issuer, except as is currently disclosed.

Dated

Signed

(Print Name)