

## Client Focused Reforms

Effective June 30<sup>th</sup>, 2021, Canadian Securities Administrators (“CSA”) have implemented new regulations called Client Focused Reforms (“CFR”) which apply to all registrants in the Canadian securities industry, including IIROC, MFDA, Exempt Market Dealers, advisors, portfolio managers and Dealing Representatives. These regulations apply to Axxess Capital Advisors Inc. (“we”, “us”, “our “, or “Axxess”) which is registered as an Investment Fund Manager (“IFM”) and Restricted Portfolio Manager in Alberta, and an Exempt Market Dealer (“EMD”) in Alberta, British Columbia, Manitoba, Ontario, and Saskatchewan.

The purpose of the Client Focused Reforms is to better align the interests of an advisor with the interests of clients. The CFRs are based on the fundamental concept that Dealing Representatives and Dealers should put client interests first when making investment recommendations. One key requirement of the CFRs relates to how Dealers deal with **conflicts of interest**. Dealers must implement policies, procedures, and controls to demonstrate that they have addressed material conflicts of interest in the best interests of YOU the client.

Pursuant to the new regulations, this Conflicts of Interest Disclosure is provided to you as a client of Axxess to ensure you understand existing and reasonably foreseeable material conflicts of interest that affect your interests as a client of Axxess Capital Advisors Inc. This Disclosure will also be provided to new clients before opening an account and made available on the Axxess web site: <http://www.axcesscapital.com>.

## Conflicts of Interest Disclosure

Conflicts of interest exist in all lines of business. In the investment industry, conflicts of interest arise when the interests of a Dealer or Dealing Representative differ from the interests of a client. Conflicts of interest represent potential risks to clients because conflicts may influence the Dealer or Dealing Representative to put their own interests ahead of clients’ interests. Generally, a conflict of interest is considered “material” if the conflict of interest may be reasonably expected to influence either your decisions or actions as a client, or Axxess or its Dealing Representative’s decisions. Under the new regulations, securities Dealers are required to identify, manage, and disclose material conflicts, including those related to proprietary products and to compensation or referral fees.

Generally, Axxess identifies and addresses material conflicts of interest through policies and procedures. We expect our Dealing Representatives to follow the following principles:

- Act in the client’s best interest in any financial transaction.
- Identify existing or potential material conflicts of interest between a client and the Dealer or Dealing Representative.
- If a Dealing Representative finds a material conflict of interest, they are required to address it in the client’s best interest and disclose it to the client in a timely manner.
- If Dealing Representatives cannot address a conflict in the client’s best interest, they are required to avoid it.

Access has avoided providing a laundry list of conflicts that our Dealer faces. Instead, Access expects that your Dealing Representative will promptly disclose and discuss any conflicts of interest they or the Dealer have that are relevant to YOU the client in a way that is specific, clear, and meaningful to YOU.

## Understanding Conflicts of Interest

For Access and its Dealing Representatives, some of the most common material conflicts of interest stem from compensation and incentive programs, personal financial dealings, outside activities, and referral arrangements.

*How do we manage these situations where the interests of the Dealer or Dealing Representative conflict or appear to conflict with the client's best interest?*

### Compensation and Incentive Programs

**Potential risk to clients:** A recommended action such as purchasing certain exempt offerings is motivated by compensation.

Access' strategies to address these types of conflicts:

- Access Dealing Representatives make it their priority to understand the client's goals, objectives, needs and investment profile. We ask clients to be fully truthful in providing financial information to the Dealing Representative when completing the Know Your Client (KYC) documents.
- Access compliance staff ensures that any recommendation or action is in the client's best interests based upon the KYC information and suitability assessment.
- Access has provided guidance to clients and Dealing Representatives to limit investment concentration into any one issuer/offering subject to CCO review.
- Access sets limits on the gifts and entertainment that can be exchanged with issuing companies.
- The firm encourages our Dealing Representatives to increase assets rather than solely incentivizing commissions.
- All client and account activity are supervised by qualified compliance individuals who do not receive commissions generated from financial transactions.
- The firm does not manufacture or represent our own proprietary investment products.
- When Access acts in the capacity of EMD as a Service (where a Dealing Representative works for an Issuer and is also registered with Access) Access will disclose the nature of the relationship, the compensation paid to the Dealing Representative and Access, as provided to you in a separate disclosure agreement for the Issuer. Access Chief Compliance Officer must approve all EMD as Service arrangements for compliance with the terms and conditions Regulators have placed upon Access to provide the service.
- Trailing commissions provided by some exempt market issuers are addressed by the same policies and controls as regular or "first-year" commissions.

### Personal Financial Dealings

**Potential risk to clients:** Any situation where the DR puts their own financial interests over the interests of the client.

Access' strategy to address these types of conflicts:

- Personal financial dealings between Dealing Representatives and clients is strictly prohibited.
- Access prohibits personal loans between clients and Dealing Representatives.
- Access prohibit its staff and Dealing Representatives from being a power of attorney, trading authority, executor, or trustee for a client, except where the client is an immediate family member.
- Access does not permit Dealing Representatives or staff to be beneficiaries on client accounts except where the client is an immediate family member.
- Access has policies which place limits on gifts and entertainment between staff, Dealing Representatives, Issuers, referral agents and/or clients.
- Personal financial dealings requests involving family members are reviewed by qualified compliance individuals.

## Outside activities (OA)

**Potential risk to clients:** An outside activity could negatively impact the Dealing Representative's ability to service clients or motivate the advisor to recommend certain products over others.

An “outside activity” is a non-Access activity or association in which a Dealing Representative is involved. For example, if a Dealing Representative is also employed by another financial advisory firm, or has any other type of occupation, voluntary or paid, these are considered “outside activities”. If you have any questions about outside activities, please feel free to review with your Dealing Representative or Chief Compliance Officer.

Access' strategies to address this type of conflict:

- We limit the types of outside activities in which Dealing Representatives can engage.
- Access maintains a policy that outside activities must be reported to the Chief Compliance Officer and approved prior to engaging in the activity.
- All outside activities are reviewed and reassessed annually when the DR registration renewal process takes place at the beginning of each fiscal year.

## Person of Influence

**Potential risk to clients:** A Dealing Representative may have a position of influence that impacts the decisions clients make.

For example, if a Dealing Representative is a clergy member at your place of worship or holds a position within the community such as coach of a team in which you or your family are participants, they would be considered to have a “position of influence”, because they have status within your community.

Access' strategy to address this type of conflict:

- The Dealing Representative will disclose any positions they hold where they may be (or may be construed to be) a Person of Influence with respect to their client.

If it is determined by the client or Access that the Dealing Representative is a Person of Influence, Access compliance will contact you to determine if you believe you are being unduly influenced by the Dealing Representative and will review your KYC and Suitability documents to confirm your approval before any trades are allowed to proceed.

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## Referral Arrangements

**Potential risk to clients:** A referral may be given or received for monetary gain, and may not be a benefit to the client.

Referral arrangements exist where Access and/or a Dealing Representative pays or receives a fee for referring you, the client, to a third-party financial service, company or individual.

Access' strategy to address this type of conflict:

- All referral arrangements are reviewed and approved by the CCO to ensure clients' best interests are the primary reason for the arrangement.
- The details of any referral arrangement must be disclosed to the client.

## Investment Fund Manager Services

**Potential risk to clients:** A situation where Access acts as both the Investment Fund Manager ("IFM") and the EMD for a fund that you the client have invested in.

For example, when Access acts as an IFM, Access may control the fund's operation and/or oversee management and/or work with asset managers to ensure the fund remains compliant and operates within the mandates disclosed in its offering documents. It may be in Access' commercial interest to assist the fund to increase capital investment resulting in higher compensation for Access.

Access' strategy to address this type of conflict:

- Access will disclose any IFM relationships to current and potential investors
- Access will disclose the nature of the IFM contract and related compensation which would be in addition to the sales commission received by Access and the Dealing Representative.
- If you as a client consider investing in a fund for which Access is the IFM, and you are uncomfortable, you may request Access decline the trade and Access will refer you to a separate dealership **without** a referral fee to Access.

## Additional Resources

Along with these updated disclosures around Conflicts of Interest, we encourage you to refer to the Access **Relationship Disclosure Information** ("RDI") provided to you when you opened your account with Access. For a current copy of the RDI please contact your Dealing Representative. Access' goal is to continue to assist our clients in a transparent, open way, by giving you clear explanations in plain language about the services we provide. Putting clients' interests first has been an essential element of Access' corporate culture and a guiding principle for our Dealing Representatives.

**For more information about Client Focused Reforms, and the obligations for registrants regarding disclosures of conflicts of interest, connect with your Access Dealing Representative.**

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