

Introduction

Securities regulations in Canada require National Bank Investments Inc. (“NBI”, “our”, “we” or “us”) to comply with rules about conflicts of interest. It is important for you to know how we identify conflicts of interest and how we manage them, as well as how we try to minimize their impact.

In accordance with new provisions that came into force on June 30, 2021, we are providing you with the following enhanced disclosures regarding existing and reasonably foreseeable material conflicts of interest that may affect you as our client, including how we address these conflicts in the best interest of our clients. We will update you in a timely manner should any additional material conflicts of interest be identified.

What is a conflict of interest?

We consider a conflict of interest or potential conflict of interest to be any circumstance in which our interests or the interests of our representatives or employees could be inconsistent or divergent with the interests of the clients using our services. We take reasonable steps to identify, disclose and address all existing material conflicts of interest in your best interest, as well as those that are reasonably foreseeable. We avoid any situation that would create a conflict of interest which cannot be addressed in your best interest.

A conflict of interest is considered material when it can be reasonably expected that one or both of the following will occur: 1) it could impact a client’s investment decision or decision to use our services or 2) it has an impact on the recommendations or the decisions of NBI or its representatives. To ensure we always put you, our client, first in any situation where a conflict of interest may hinder our relationship, our representatives must comply with (i) the National Bank of Canada’s Code of Conduct and Ethics which establishes the basic principles which guide their conduct and; (ii) the regulatory requirements that are summarized in NBI’s Compliance Manual. A description of the material conflicts of interest that we have identified is provided below.

Conflicts of interest

1. Proprietary products

NBI’s product offering is limited to proprietary products and services that are manufactured and offered by National Bank of Canada (the “Bank”) and its subsidiaries, such as: NBI Funds, Guaranteed Investment Certificates issued by the Bank or any of its affiliates and liquidity solutions such as the NBI Altamira *CashPerformer*® Account.

As a result, products offered by competing firms cannot be purchased through NBI and NBI’s suitability assessment will not take into account non-proprietary products and the fact that these products might be better, worse or equal in meeting our clients’ investment objectives.

We manage this conflict by offering a wide range of products that can meet the needs of each investor profile and by conducting periodic due diligence on comparable products, non-proprietary products and assessing the competitiveness of our products and their capacity to meet our client’s financial needs.

2. Revenues, employees’ compensation and personal interests

We generate revenue from the products and services we sell to you, including through the management fees embedded in some of our products. NBI and its representatives are also compensated for the services provided. As a result, we may be incentivized to sell some products and services which maximizes our revenues. We may also be incentivized to have our clients acquire more products and services offered by the Bank and its subsidiaries, as the individual and collective compensation of our employees may be based, in part, on the volume of sales of our products and services.

These conflicts are managed by having incentives and compensation practices that do not favour a product or service over one that would be more suitable for you. We also have robust and effective risk-based account surveillance and compliance systems monitoring for items such as concentration and suitability. We disclose the fees that may be charged to you in compliance with applicable securities law and avoiding duplication of clients’ fees and charges. Finally, we provide our representatives with training programs on conflict of interest in order to help them to identify, escalate and address conflicts of interest.

3. Related entities

The Bank and its subsidiaries may receive various forms of compensation related to the business that you may do with us. As part of NBI’s offering to a client, the Bank and its subsidiaries may be compensated for management, administrative and other services rendered or provided to one another. This could include income such as: income and/or spreads on cash balance held in your account, interest margins on deposits, interest on investment loans, foreign exchange margins at the time of currency conversion and trust and custody fees. We may suggest you use the services of the Bank or one of its subsidiaries as your financial needs evolve over time for example, it may be appropriate due to your situation’s complexity and/or asset size.

NBI related entities are: National Bank Financial Inc., National Bank of Canada Financial Inc., NBC Financial Markets Asia Limited, NBC Global Finance Limited, Natcan Trust Company, National Bank Trust Inc., NatWealth Management Inc., and Nest Wealth Asset Management Inc.

Your information may also be shared with the Bank and its subsidiaries, to manage our relationship with you and to offer additional products and services. We address these conflicts by assessing the services provided to you by our affiliates and ensuring that they remain competitive. We disclose the fees that may be charged to you by us and/or our affiliates, in compliance with applicable securities law and we obtain your consent for the collection, use or sharing of your personal information and restricting the internal sharing of information in accordance with our privacy policy.

4. Transactional errors

It is possible that, despite the good faith of a representative, an error could occur during the processing of a transaction for a client. For example, by failing to meet the cut-off time to enter a trade or by entering a transaction incorrectly, resulting in the client assuming a loss. A reasonable person might believe that NBI has an interest in minimizing its costs in correcting such errors.

We manage this conflict by complying with Canadian securities laws, industry guidelines and complying with our error correction policy, which has been reviewed by the Independent Review Committee (IRC) of our Funds. The IRC is comprised of individuals who are independent from NBI.

5. Conduct of NBI's representatives

In the ordinary course of performing their duties, our directors, officers, employees and representatives may find their personal interests to be in potential conflict with those of a client. Such conflicts could include items such as using confidential information for personal purposes, accepting or giving gifts, entering into financial transactions on a personal basis with clients or having authority over a client's financial affairs.

We manage this conflict by ensuring that our representatives comply with the National Bank's Code of Conduct and Ethics and NBI Compliance Manual, which prohibits employees (i) in particular the use of confidential information acquired in the course of their duties or in the course of their duties; (ii) to take advantage of a situation, in order to obtain an advantage of any kind; or (ii) accept or give gifts, entertainment and compensation that may influence decisions to be made in the performance of their duties.

We also provide our representatives with training programs on conflict of interest in order to help them to identify, escalate and address conflicts of interest. We have an effective risk-based compliance system, which monitors for items such as powers of attorney and incapacity mandates, where clients may be more vulnerable.

6. Redemption of third-party products

When third-party products are contained in accounts transferred from a competitor to NBI, NBI may recommend these securities be redeemed and the proceeds reinvested in securities offered by NBI, as the remuneration for NBI products is more profitable for us. If these third party securities are not redeemed, and are held in the client's investment account, NBI may receive compensation, such as a trailing commission, from the issuer of the securities.

We manage this conflict by having robust and effective risk-based account surveillance and compliance systems that allow us to validate the suitability of transactions.

7. Dual functions and outside business activities

Our registered representatives act both as representatives for NBI and as branch advisors for the Bank. In addition, some representatives may sit on a board of directors or pursue other personal outside business interests.

We manage these conflicts by complying with legal and regulatory requirements and restrictions on individuals who act for more than one regulated entity. We also requiring our representatives to disclose their external activities and reviewing the potential risks and conflicts of interests associated with them. We do not allow participation in external activities representing a risk or a conflict of interest, unless approved by NBI.

8. Other conflict of interest situations

From time to time, other situations may arise which create potential or real conflicts of interest. NBI is committed to continuing to do what is necessary to identify and address these situations fairly and reasonably, and in the best interests of our clients.