Sample Gifts and Entertainment Policy

Updated and Approved by the PMAC Practices & Standards Committee

This sample gifts and entertainment policy (“Policy”) is intended only to provide general guidance to Portfolio Management Association of Canada (“PMAC”) members and is not intended to be and should not be construed or relied upon as legal or other advice. PMAC assumes no liability by providing this sample Policy to its members or any other person or entity. Statements in this Policy may or may not apply in any particular situation and each section should be reviewed with care to determine its applicability. Members should modify this sample Policy as necessary to fit with their own business and the nature of their clients, suppliers and business partners.

Sample Gifts and Entertainment Policy

The Firm has adopted the CFA Institute’s guidelines limiting the acceptance of gifts, entertainment, compensation, or gratuities from external sources that would compromise the independence or objectivity of the Firm and/or its employees. While it is recognized that conducting business involves some modest exchange of gifts and business-related entertainment, the value of such gifts and entertainment must not create a real or perceived conflict of interest and must not impair the independence or objectivity of the recipient. Gifts and entertainment can neither be received nor given by an employee if they are considered to be frequent, excessive or extravagant.

In accordance with these guidelines, the Firm does not allow employees, regardless of their affiliation with the CFA Institute, to accept from brokers, service providers, business partners and/or clients, gifts or entertainment that are reasonably expected to compromise the employee’s independence or objectivity. Reasonable judgment by the employee must be exercised in all circumstances. In the event that an employee receives any gratuities and/or gifts that could possibly be viewed as impairing their independence or objectivity and/or is above the Firm’s pre-determined per-item threshold of $250, the employee must immediately advise the Chief Compliance Officer (CCO) who will determine if the gift poses a potential conflict of interest and whether it would be reasonably expected to impair the employee’s independence or objectivity. If the gift does present a conflict of interest, the gift will be returned, otherwise it may be kept. The CCO may also consult with senior management at the Firm to determine actions required, if any, to address

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1 This monetary threshold is based on the CFA Institute’s Employee Code of Conduct and is presented for use by members firms as a reference point. Based on their own facts and circumstances, members should determine whether this threshold is appropriate for their particular firm.
the potential conflict of interest. Gifts and entertainment must also not be used in any way to circumvent the requirements of any applicable laws, and especially with respect to referral arrangements set out in National Instrument 31-103 – Registration Requirements and Exemptions.

These guidelines do not preclude acceptance of customary, ordinary, business-related entertainment and/or token gifts (including promotional items), so long as the purpose is not to influence any employees and they are of nominal value. Participation in business-related entertainment opportunities are permitted as long as there is a representative from the hosting organization present and the event includes business discussions and/or opportunities for building business relationships. The acceptance of cash gifts (including gift certificates and pre-paid credit cards), securities or loans, however, is strictly prohibited.

The Firm may provide gifts or entertainment to the Firm’s clients, service providers, brokers, etc., as long as the value is below the Firm’s pre-determined threshold of (insert dollar amount), or it is pre-approved by the CCO, and it does not give rise to an actual or perceived conflict of interest.

If an employee does not comply with the requirements set out above, disciplinary action may be imposed.

**Other Policy Considerations:**

Members should consider the following additional matters in connection with finalizing a gifts and entertainment policy:

- Consider the procedures that will be used to monitor compliance with this policy. For example, a log should be used to track gifts and entertainment\(^2\). Consider whether employees/staff must report to the CCO all gifts and entertainment, even if the employee/staff member considers that the gift or entertainment in question is not objectionable or is under the limit.
- Consider implementing a pre-determined dollar threshold, under which the gift/entertainment is considered to not present a conflict of interest unless proven otherwise (e.g. $250)\(^3\)
- Consider implementing an annual overall threshold for gifts and entertainment from any one source during the year.
- Consider differentiating between gifts, perks and entertainment received from companies/entities that may potentially be seeking to influence the action of the employee versus similar items received from clients which may be less likely to impair objectivity and independence.
- Consider additional restrictions surrounding political donations as well as gifts and entertainment involving public government officials. Various U.S. state laws and government agencies impose tight restrictions on whether or not public officials may receive anything of value or may be limited to a certain value of what they may accept. In addition, Canadian lobbyist registration legislation may prohibit a lobbyist in the course of lobbying a public office holder, from knowingly placing the public officer holder in a position of real or potential conflict of interest. Local provincial lobbyist legislation should be reviewed for applicability in the various provinces.

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\(^2\) Certain items to track may include: date; name of third party; employee description; value or estimated value; and any comments.

\(^3\) This monetary threshold is based on the [CFA Institute’s Employee Code of Conduct](https://www.cfainstitute.org) and is presented for use by members firms as a reference point. Based on their own facts and circumstances, members should determine whether this threshold is appropriate for their particular firm.
Consider either: Stating that the firm has an anti-bribery / anti-corruption policy binding all employees and which should be read together with the Gifts and Entertainment Policy OR stating that the firm prohibits the offering, giving, soliciting or the acceptance of any bribe in whatever form to or from any person or company by any employee, contractor, consultant, agent or other person for whatever reason.

Policy considerations could include obtaining pre-approval from legal/compliance in advance of providing any gift or entertainment, including meals, to any public domestic or foreign public official or representative.

National Instrument 81-105 *Mutual Fund Sales Practices* should be considered if gifts and entertainment are provided to or received from dealers by PMAC members who also manage public mutual funds.

**Additional Resources:**

- Please see the Appendix, which refers to the CFA Institute Code of Professional Conduct, for more guidance about gifts and entertainment policies.
- Members who are also registered as Investment Fund Managers should refer to [OSC Staff Notice 33-743 2014 Guidance on Sales Practices, Expense Allocation and Other Relevant Areas Developed from the Results of the Targeted Review of Large Investment Fund Managers](#) for additional guidance.
Appendix A
CFA Institute Guideline Reference:

Source: CFA Asset Manager Code of Professional Conduct

Section A. Loyalty to Clients

“Managers Must ...

3. Refuse to participate in any business relationship or accept any gift that could reasonably be expected to affect their independence, objectivity, or loyalty to clients.

As part of holding clients’ interests paramount, Managers must establish policies for accepting gifts or entertainment in a variety of contexts. To avoid the appearance of a conflict, Managers must refuse to accept gifts or entertainment from service providers, potential investment targets, or other business partners of more than a minimal value. Managers should define what the minimum value is and should confer with local regulations which may also establish limits. Managers should establish a written policy limiting the acceptance of gifts and entertainment to items of minimal value. Managers should consider creating specific limits for accepting gifts (e.g., amount per time period per vendor) and prohibit the acceptance of any cash gifts. Employees should be required to document and disclose to the Manager, through their supervisor, the firm’s compliance office, or senior management, the acceptance of any gift or entertainment. This provision is not meant to preclude Managers from maintaining multiple business relationships with a client as long as potential conflicts of interest are managed and disclosed.”

Regarding the Application of this Policy:

Making the determination as to whether independence and objectivity might be impaired through the acceptance of gifts or entertainment is not always straightforward. The specific facts and circumstances of each situation must be considered. Below are some examples:

1. A company offers an analyst the use of their corporate jet to take a tour of their mining facilities. It would generally be not acceptable to accept this offer and the analyst should ensure his company pays for a commercial flight. However, if the company’s mine is located in such a remote region that the corporate jet is the only possible method of reaching this location then acceptance of this offer may be deemed appropriate.

2. A portfolio manager directs a large amount of commissions to a Toronto-based broker. In appreciation for all the business, the broker offers the portfolio manager an all expense paid European vacation, including airline tickets, accommodation, meals and sporting event tickets. The portfolio manager fails to disclose the receipt of this trip to her supervisor. In this situation, the employee has violated the policy because accepting this gift would be considered to impede her independence and objectivity. The employee may be accused of directing commissions to this broker over others to the detriment of her clients. All employees should endeavor to avoid situations that present a conflict of interest and in which their independence or objectivity may be compromised.