

Conflicts of Interest Statement

1. Introduction and Scope

This document describes BMO InvestorLine Inc.'s (**we, us or our**) Conflicts of Interest as required by applicable securities laws.

We operate two online client services – BMO InvestorLine (Self-Directed) (“**Self-Directed**”) and BMO InvestorLine adviceDirect™ (“**adviceDirect**”). Self-Directed is a self-directed order-execution-only investing platform that operates as a discount broker (order execution only) and adviceDirect is a fee-based advice service which offers investment recommendations. adviceDirect is not a portfolio manager, does not provide portfolio management by a portfolio manager and does not offer discretionary and/or managed accounts.

The client makes their own investment decisions and manages their own investment portfolio. If a particular service has a unique conflict of interest, it has been highlighted in this Conflict of Interest Statement.

2. Identifying and Addressing Conflicts of Interest

A conflict of interest may arise where (i) our interests, including those of our registered individuals, and your interests as our client (you or your) may be inconsistent or different, or (ii) you may perceive us to be influenced to put our interests ahead of yours, or (iii) monetary or non-monetary benefits available to us, or potential negative consequences for us, may affect the trust you have in us.

We and our registered individuals address existing or reasonably foreseeable material conflicts of interest with you in your best interest. If a conflict cannot be so addressed, it is avoided.

When addressing material conflicts of interest, our registered individuals' conduct and business activities are expected to follow our Code of Conduct (Code) and regulatory requirements as set

out in applicable policies and procedures so that our relationship with you is managed fairly, honestly and in good faith.

Existing or reasonably foreseeable material conflicts of interest are as follows:

2.1 Membership in BMO Financial Group

We are a member of BMO Financial Group, a highly diversified financial services provider based in North America. We and our affiliated financial services firms are wholly-owned subsidiaries of our parent Bank of Montreal. In the course of providing services to you, we may enter into transactions with, or accept services from, other member of BMO Financial Group. We are compensated by providing products and services to you for which you pay us. We may also earn revenue from other sources, including from our affiliates, which may be seen as involving a conflict of interest or potential conflict of interest.

In these situations of conflicts involving BMO Financial Group, we may be perceived to be financially motivated to encourage you to enter into transactions with other members of BMO Financial Group, or to enter into more transactions with us, to our benefit. We have adopted policies and procedures to identify and manage these conflicts. We will only enter into these transactions where they are permitted under applicable securities laws. We separate different business functions as required by regulations and have procedures in place to prevent or manage material non-public information held by one business from being disclosed to another.

2.2 Related and Connected Issuers; Principal Trading

adviceDirect may provide recommendations with respect to securities issued by a related or a connected party (as defined in the Related and Connected Issuers Disclosure at the end of this Statement). Self-Directed provides access to securities

issued by a related or connected party. This includes where the securities purchased for you may be owned by us or a connected or associated party.

We address these conflicts of interest in the following manner:

- Recommendations provided by the adviceDirect platform may include a security issued by a BMO Financial Group entity or a BMO Financial Group product in addition to third-party issuers and products. However, recommendations are not generated in such a way as to favour securities owned by us or issued by a related or a connected party over third party securities, or as to result in increased sales of related or connected party products.
- adviceDirect reviews your accounts for suitability when a recommendation is provided.
- The trade confirmation for each transaction will indicate whether we acted as principal or agent and, in the case of fixed income securities transactions, a stated yield to maturity to allow you to assess the competitiveness of the pricing.
- Self-Directed does not make recommendations and provides access to third party securities, along with securities of related and connected issuers.
- We disclose these conflicts so that you can independently assess if they are significant to you.

See also **Related and Connected Issuers** Disclosure on page 6 below and also 2.4 Proprietary Products below.

2.3 Acting as Underwriter

For securities that are recommended by adviceDirect or made available for investment through Self-Directed, an affiliate may have provided advice or acted as underwriter to the issuer and received fees and non-public material information from the issuer. We may be perceived to be financially motivated to recommend or make available securities for which our affiliate is receiving fees from the issuer. To address this material conflict of interest, where our affiliate acts as underwriter for an issuance of securities, the offering document will contain a description of the nature of the relationship with the issuer. Recommendations provided by the adviceDirect platform are not generated in such a way as to favour these securities; Self-Directed makes no recommendations. In addition, BMO Financial Group separates its institutional corporate finance business, which provides services to the issuer, and our retail advisory businesses, which provides services to you, as

required by regulations, and has procedures in place to prevent or manage material non-public information held by one business from being disclosed to another. See also 2.2 *Related and Connected Issuers*; *Principal Trading* above.

2.4 Proprietary Products

We offer products and services of BMO Financial Group (Proprietary Products), such as BMO Mutual Funds and BMO Exchange Traded Funds (ETFs), guaranteed investments certificates issued by Bank of Montreal (GICs) and high interest rate savings accounts of Bank of Montreal (HISAs). We provide you with disclosure as to these Proprietary Products, and our relationship with their manager or issuer. Recommendations provided by the adviceDirect platform are not generated in such a way as to favour Proprietary Products over non-proprietary products, or to result in increased sales of Proprietary Products. In addition, Proprietary Products and non-proprietary products are both subject to the same due diligence, selection and ongoing monitoring processes; adviceDirect offers a selection of suitable products and services; and before a recommendation is made, and as otherwise required by law, adviceDirect will determine if the recommendation is suitable for you. Self-Directed does not make recommendations and we conduct the same due diligence on the products and services available on the Self-Directed platform as for adviceDirect.

In addition, we make available for investment only high interest rate savings accounts (HISAs) issued by members of BMO Financial Group and cashable guaranteed investment certificates (cashable GICs) issued by members of BMO Financial Group; in such situations, the suitability determination conducted by adviceDirect will not consider the larger market of HISAs and/or cashable GICs or whether those non-proprietary HISAs and/or cashable GICs would be better, worse or equal in meeting your investment needs and objectives.

See also **Related and Connected Issuers Disclosure** on [page 5](#).

2.5 Relationship with Other Issuers

BMO Financial Group may have a variety of relationships with unrelated issuers, such as a commercial lender or underwriter. We may be perceived to be financially motivated to enable trading in, or recommend the securities of, these issuers so that BMO Financial Group as a whole can benefit. To address this, we separate different business functions as required by regulations and have procedures in place to prevent or manage

material non-public information held by one business from being disclosed to another. In addition, the issuer's offering documents would provide disclosure, as required by securities laws, of relationships BMO Financial Group may have with the issuer. Recommendations provided by the adviceDirect platform are not generated in such a way as to favour securities of these issuers.

2.6 Referral Arrangements

We may enter into arrangements where we receive or pay a referral fee for referring you. As required by applicable securities laws, the terms of the referral arrangement will be set out in writing, you will be provided with disclosure of the arrangement, and, prior to the referral, we will satisfy ourselves that the other party has the appropriate qualifications to provide the specific services to you. We have policies and procedures that are reasonably designed to ensure fees received are appropriate and do not encourage undue incentives. We undertake periodic reviews of our referral arrangements. You do not pay any additional charges and fees in connection with such referrals and are not obligated to purchase any product or service in connection with a referral. See our "Referral Disclosure Statement" within the Client Agreements available here for Self-Directed, here for adviceDirect, respectively for further details of the referral arrangements among certain members of BMO Financial Group.

2.7 Sales Practices, Internal Compensation

Arrangements and Incentive Practices Registered individuals' compensation includes incentives in respect of client assets onboarded and retained within Self-Directed and/or adviceDirect. Certain registered individuals are also registered with our affiliate BMO Nesbitt Burns Inc., to allow them to discuss with you, its "SmartFolio" on-line managed account program, along with discussing Self-Directed and adviceDirect. Our collective interests are aligned in conjunction with these on-line programs, and we consider that it is in the best interests of our clients to have access to individuals who can discuss these on-line services in a seamless way. The compensation for these dually-registered individuals is designed so that individuals are either not incented to recommend one service over another or are incented to market the services equally, as applicable.

Our compensation program for registered individuals includes

different targets and payouts, largely based on the complexity of the services. Compensation is not based on specific investments or securities held in your account.

We address the conflict of interest that our registered individuals may be perceived to be financially motivated to make recommendations that provide them with better compensation in a variety of ways. The majority of compensation is comprised of base salary and so is unaffected by sales. Sales calls are regularly reviewed and recommendations about services must be made in your best interest. Our compensation program for registered individuals is subject to review and audit by individuals whose compensation is not tied to the results or outcomes of the review.

See also 2.6 *Referral Arrangements* above.

2.8 Issuer Compensation

We may receive compensation from an issuer of a security or a manager of an investment fund. Such compensation may include fees paid directly or indirectly in connection with new issues of shares and/or other investment products such as investment funds, principal protected notes and other structured notes. We address this by having products and services evaluated through the same process, including those from a third-party. We disclose to you all compensation, including through offering documents, as required by securities law. Canadian securities regulations are changing on June 30, 2022 at which time Self-Directed will no longer collect trailing commissions from managers of mutual funds. Also, it is ultimately you that determines the securities in which you invest. For Self-Directed, no recommendations are made by us as it is a self-directed investing platform. For adviceDirect, the platform provides recommendations, without taking into account compensation. See also 2.6 *Referral Arrangements* above and 2.9 *Fee-Based Accounts and Trailing Commissions* - adviceDirect below.

2.9 Fee-Based Accounts and Trailing Commissions - adviceDirect

adviceDirect offers a fee-based account, which may include securities that pay us a trailing commission. We have addressed this conflict of interest by removing the value of any security that pays trailing commissions from the fee calculation.

2.10 Trade Execution

Our selection of a dealer, intermediary and/or a marketplace to execute a trade can create a potential or perceived conflict of interest because we may direct trades to a dealer, intermediary and/or a marketplace who provides us with benefits (including research reports or terminals with access to market information) or rebates. Our order execution is facilitated through our carrying broker, BMO Nesbitt Burns Inc. More information about our trade execution is contained in the BMO Nesbitt Burns Trade Execution Disclosure available [here](#).

2.11 Fair Allocation – Self-Directed

For an issuance of new securities, there may be a higher expression of interest from Self-Directed clients than the amount of securities we were allocated for the offering. Securities are available to clients based on certain conditions set by issuers, regulatory requirements and us. Not all securities are available to each client. If the new issue is oversubscribed, our Diamond Star Self-Directed clients are allocated new issuances in priority to our other clients, as a feature of the Diamond Star service. We allocate new issuances to our other clients on an equitable basis if any are available.

New issuances are not available in adviceDirect.

2.12 Personal Trading

Our employees, including registered individuals, could use non-public information about you, and the securities in your account, for their personal trading. Our Code and other policies are designed to ensure that our registered individuals act in accordance with applicable laws and that they do not engage in personal securities transactions that are prohibited, such as insider trading. This can include seeking approval from us prior to making trades in their personal securities accounts. Employees are prohibited from accessing non-public information of our clients for their direct or indirect personal benefit. We place shares on a “restricted list” to prevent trading when we have non-public information. We review on a regular basis securities transactions made in registered individual's and certain other employees' personal securities accounts.

2.13 Borrowing to Invest

If a member of BMO Financial Group lends you money, or provides a margin loan to invest in securities, they may earn revenue from the investment and/or the lending activity itself. A margin loan is a loan that is secured against your account. To address this conflict of interest, we have policies and procedures to ensure a heightened level of due diligence is conducted when you incorporate a “borrow to invest” strategy for your portfolio. Any margin lending is reviewed, adjudicated and monitored independent of us. We provide you with disclosure of the potential risks and costs associated with borrowing money to invest.

2.14 Gifts and Entertainment

We and our registered individuals may receive offers of gifts and/or entertainment from business partners. We could be perceived to be financially motivated to put our interests ahead of your interests because of the gifts and entertainment. To address this conflict of interest, employees are required to comply with our Code, which requires employees not to accept any gift or entertainment which is intended to improperly influence a business decision. Recommendations are provided by the adviceDirect platform and not by registered individuals.

3. Review

We will notify you of any significant changes to this document by posting an updated version of this Conflicts of Interest Statement on our website. We will also notify you by sending a notice explaining the updates via portal, email, or postal mail.

4. Further Inquiries

If you have any questions about this Conflict of Interest Statement, please contact us at 1-888-776-6886 or info@bmoinvestorline.com.

Related and Connected Issuers Disclosure

BMO InvestorLine Inc. may deal with or for you in securities transactions where the issuer of the securities is related or connected to us. Securities laws require us to inform you of any related or connected issuers to us.

An issuer is **related** to us if we are an influential securityholder of theirs, or they are an influential securityholder of ours, or if we have a common influential securityholder.

An issuer is **connected** to us where a reasonable prospective purchaser of their securities might question the issuer's independence from us, a party related to us, one of our directors or officers or a director or officer of our related party.

Bank of Montreal

We are a wholly-owned indirect subsidiary of **Bank of Montreal**, a reporting issuer with securities listed and trading on the Toronto Stock Exchange and the New York Stock Exchange. Because Bank of Montreal is an influential securityholder of ours it is considered to be a related party, and where its securities are being distributed to the public it would be considered to be a connected party under Canadian securities laws.

Issuers and Mutual Funds

The following are also considered to be issuers that are related and/ or connected to us:

- the mutual funds in the BMO Mutual Funds group of funds which are managed by our affiliate BMO Investments Inc.;
- the mutual funds in the BMO Private Portfolios group of funds which are managed by our affiliate BMO Private Investment Counsel Inc.;
- the exchange traded funds in the BMO ETFs group of funds which are managed by our affiliate BMO Asset Management Inc.;
- the pooled funds in the BMO AM Pooled Funds group of funds which are managed by our affiliate BMO Asset Management Inc.;

and

- such issuer corporations as may in certain circumstances be deemed to be connected issuers under applicable securities laws when BMO Nesbitt Burns Inc. or its affiliates are members of the underwriting group for a new issue of securities.

Additionally, we or one of our affiliates act as managers or sub-advisors to certain of these investment funds: BMO Asset Management Inc.; BMO Asset Management Corp.; BMO Private Investment Counsel Inc.; and Taplin, Canida & Habacht LLC.

Where to find Information

Where we buy or sell securities of a related or connected issuer for your account, the confirmation of the trade and your monthly statement will indicate that the issuer is a related and/or connected party.

Where we advise you with respect to the purchase or sale of securities of a related and/or connected issuer we will notify you of our relationship with the issuer when giving you the advice.

Principal Trading

In certain instances where we act as your broker, securities purchased for you may be bought from us, a party associated with us or, in the course of distribution, a connected party. A party is associated with us if we beneficially own, directly or indirectly, securities carrying more than 10% of the voting rights of the party, or if the party is a trust, it is associated with us if we have a substantial beneficial interest or we, or another party in a close relationship to us such as one of our salespeople, directors or officers serve as trustee.

Relationships with other members of BMO Financial Group

Disclosure of related registrants

Bank of Montreal, either directly or indirectly through its subsidiaries, controls and certain of our officers and directors are also directors and officers of certain of the following Canadian registrants: BMO Asset Management Inc.; BMO Private Investment Counsel Inc.; BMO Investments Inc.; and BMO Nesbitt Burns Inc.

In connection with our ongoing business activities we may obtain or provide management, administrative, referral and/or other services from or to the following affiliates: Bank of Montreal; BMO Asset Management Inc.; BMO Capital Market Corp.; BMO Capital Markets Limited; BMO Estate Insurance Advisory Services Inc.; BMO Harris Bank N.A.; BMO Investments Inc.; BMO Nesbitt Burns Inc.; BMO Nesbitt Burns Securities Ltd.; BMO Private Investment Counsel Inc.; BMO Trust Company; and Clearpool Execution Services, LLC.

