

Possible conflicts of interest to consider

Karen Huey, president of **Professional Compliance Assistance** in Woodstock, Ga., shares her list of common conflicts of interest experienced by advisers:

1. Having a registered representative of a broker-dealer on staff
2. Having an IAR or other staff member that sells insurance
3. Participation in a custodian firm's adviser platform
4. Having affiliated service providers
 - a. Broker/dealer
 - b. Insurance company
 - c. Accounting firm
5. Managing a private fund or registered mutual fund
6. Soft dollar arrangements
7. Referral arrangements (pay or be paid)
8. Government Entity Clients (pay-to-play issues)
9. Proxy voting conflicts
 - a. Identify if clients have any conflicts (i.e., are they on a board of directors of a publicly traded company in which clients invest?)
10. Service by any advisory affiliate (officer, director, employee, etc.) on a board
11. Sponsoring a wrap program
12. Block trades
 - a. Are employees included in block trades?
 - b. How are shares/units allocated if there is a partial fill?
 - i. Consider client allocations (how do you decide which clients are included/excluded?)
 - ii. Consider how participating employee accounts are treated
13. Trade rotation among different executing brokers (especially if there are soft dollar arrangements)
14. Trade error correction procedures
 - a. Are clients always made whole?
 - b. Does adviser net out gain and loss errors?

Regulatory Compliance Watch's Compliance Toolbox

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