

Rules of Professional Conduct and Interpretation

FOREWORD

To qualify as professionals in the eyes of the public and other professional and governmental bodies, Chartered Insolvency and Restructuring Professionals (CIRPs) must consistently demonstrate high standards of professional conduct. The CAIRP Rules of Professional Conduct (Rules) firmly establish these high standards. The Rules are enforced by CAIRP to protect the public interest and ensure members act ethically, with due respect, courtesy and integrity.

The Rules of the Canadian Association of Insolvency and Restructuring Professionals (CAIRP) apply to all members and as well, candidates registered in the CIRP Qualification Program, regardless of the type of professional services they may provide. The Rules will continue to evolve, influenced by other professional bodies to which CIRPs may belong, by federal and provincial legislation, and most importantly, by the public and private sectors which members serve.

The Rules are based on the following principles:

1. Members conduct themselves at all times in a manner that maintains the good reputation of the profession and serves the public interest;
2. Members perform their professional services with integrity and due care;
3. Members sustain their professional competence by keeping informed of developments in professional standards and legislation;
4. Members, when engaged in an assignment, shall be free of any influence, interest or relationship which impairs professional judgement or objectivity or which, in the view of a reasonable and informed observer, has that effect;
5. Members have a duty of confidence to a client and shall not disclose, without proper cause, any information obtained in the course of an engagement. Nor shall such information be exploited directly or indirectly by a member;
6. Members shall accord to any other member the courtesy and consideration due between professional colleagues.

The Rules flow from these principles. They cannot, by their nature, state the most that is expected of members. Accordingly, the Rules define a minimum standard of acceptable conduct. It is expected that CAIRP members will strive for a higher level of ethical behaviour than the minimum and that CAIRP will periodically review the Rules to ensure they meet current standards and expectations of the profession and the public.

To assist members with their understanding and execution of the Rules, CAIRP has developed Interpretations which provide additional guidance on how the Rules are to be interpreted in relevant circumstances. Wherever an Interpretation does not adequately address a particular circumstance, the member will consider the applicable rule in a broader sense and, as appropriate, consider the situation from the viewpoint of a creditor or other interested third party.

RULES

1. Members shall conduct themselves at all times in a manner which will maintain the good reputation of the Association and profession and serve the public interest;
2. Members shall perform their professional engagements with integrity and due care;
3. Members shall maintain a high standard of professional competence. This includes keeping informed of, and complying with, developments in professional standards, including the CAIRP Standards of Professional Practice, and all relevant federal and provincial legislation and directives;
4. Members shall with respect to any professional engagement be free of any influence, interest or relationship which impairs their professional judgement or objectivity or which, in the view of a reasonable and informed observer, has that effect;
5. Members shall not sign or associate with any letter, report, statement, representation or financial statement which they know, or should know, is false or misleading. A member may transmit information which has not been verified provided that such information is subject to a disclaimer of responsibility or an explanation of the source of the material;
6. Members shall not take any action (such as acquiring any interest, property or benefit) by which they make improper use of confidential knowledge obtained in the course of a professional engagement;
7. A member who handles money or other property in trust shall do so in accordance with the terms of the trust and the applicable law relating to such money or trust property and shall maintain such records as are necessary to account properly for such money or other trust property;
8. Members shall not directly or indirectly pay to any party a commission or other compensation to obtain a professional engagement nor shall they accept directly or indirectly from any party a commission or other compensation for having referred work relating to a professional engagement;
9. Members shall not advertise, directly or indirectly, in any manner:
 - a) which they know, or should know, is false or misleading;
 - b) which contravenes professional good taste or fails to uphold normal professional courtesy;
 - c) which makes unfavourable reflections on the competence or the integrity of the Association or any member thereof;
 - d) which refers to themselves as a specialist in a particular industry or area of insolvency; or
 - e) that is inconsistent with the OSB advertising directive.
10. A member shall not adopt any method of obtaining or attracting professional engagements which brings disrepute on the Association or any of its members;
11. A member who is associated with non-members in professional practice shall be responsible to the Association for any failures of such associates to abide by these Rules of Professional Conduct;

12. A member shall protect and not disclose any confidential information concerning any professional engagement, unless required to do so by law;
13. For the purposes of these Rules:
 - a) a person shall be deemed to be related to another person if they are related to each other within the meaning of "related persons" in section 4(2) of the Bankruptcy and Insolvency Act; and
 - b) the word "person" shall have the same definition as in Section 2 of the Bankruptcy and Insolvency Act.
14. Any word or phrase in these Rules shall have the meaning or scope given it from time to time by resolution of the Board.

INTERPRETATIONS TO THE RULES

RULES 1 and 2

1. To ensure members maintain a good professional reputation for themselves, and that of the Association, members shall always perform their engagements in a conscientious, diligent, and efficient manner and shall provide a quality of professional service which the public can generally and reasonably expect from any member in a like situation.
2. Members are obligated to do their reasonable best in providing prompt professional service on an engagement.

RULE 4

1. Members should be satisfied that their own or associates' relationship with the debtor, any creditor or any other clients having an interest in the professional engagement is not such as to impair his professional judgement or objectivity.
2. Members shall not permit themselves to be placed in a position of conflict of interest; in keeping with this principle, members shall not accept any appointment;
 - a) which is prohibited by law, or
 - b) as a receiver, a receiver-manager, agent for a secured creditor, liquidator or any appointment under the Bankruptcy and Insolvency Act, except as an inspector, in respect of any insolvent person or corporation where the member is, or at any time during the immediately preceding two years was:
 - i) related to such person or corporation; or
 - ii) the auditor or accountant of such person or corporation.
3. The two-year time period commences at the date of the last audit report or the last review engagement report. The two-year time period must expire on or before the date of the initial bankruptcy event as defined in Section 2 of the BIA.
4. A member shall not permit himself to be placed or remain in a position where a conflict of interest may exist, or may appear to exist, without making full disclosure to, and obtaining the

written consent of all interested parties; in keeping with this principle, a member shall not accept any appointment:

- a) as trustee under the Bankruptcy and Insolvency Act where the member has already accepted an appointment as receiver, receiver manager, agent for a secured creditor, liquidator, trustee under a trust indenture issued by the bankrupt corporation or by any corporation related to the bankrupt corporation, or on behalf of any person related to the bankrupt without having first made disclosure of such prior appointment to the Bankruptcy Court or the Official Receiver, as the case may be; following the acceptance of such appointment as trustee under the Bankruptcy and Insolvency Act, the member shall inform the creditors of the bankrupt of his prior appointment as soon as reasonably possible thereafter;
- b) as receiver, receiver-manager, agent for a secured creditor or on behalf of any person related to the bankrupt where the member has already accepted an appointment as trustee under the Bankruptcy and Insolvency Act without first obtaining the permission of the inspectors of the bankrupt estate; where inspectors have not been appointed at the time that the second appointment is to be taken, the member shall obtain the approval of the creditors of the bankrupt of having taken the second appointment as soon as reasonably possible thereafter; and if the second appointment is taken before obtaining the approval of the creditors, it should be taken subject to their approval.
- c) as receiver, receiver-manager, agent for a secured creditor or trustee under the Bankruptcy and Insolvency Act in respect of any corporation where the member is, or at any time during the immediately preceding two years was, the trustee (or related to such trustee) under a trust indenture issued by such corporation or by any corporation related to such corporation without first obtaining the permission of the creditors secured under such trust indenture; upon the acceptance of an appointment as trustee under the Bankruptcy and Insolvency Act, the member shall inform the creditors of the bankrupt corporation of his prior appointment as (or relationship to) the trustee under a trust indenture or by any corporation related to the bankrupt corporation as soon as reasonably possible thereafter.
- d) as receiver, receiver-manager, agent for a secured creditor, liquidator of an insolvent company under the Winding Up Act, or trustee under the Bankruptcy and Insolvency Act, in respect of any corporation where the member is related to an officer or director of such corporation.
- e) as receiver, receiver-manager, agent for a secured creditor, or trustee under the Bankruptcy and Insolvency Act in respect of any person or corporation where the member is a creditor, or an officer or director of any corporation that is a creditor, of such person or corporation unless the relationship is sufficiently remote that the member can act with complete objectivity;
- f) in any court-appointed capacity under the Companies' Creditors Arrangements Act without disclosing to the Court any professional involvement with the debtor during the immediately preceding two years.

RULE 6

1. Subject to BIA Rule 42, members, their partners, associates, staff and related persons shall not acquire directly or indirectly in any manner whatsoever any assets under their administration, provided that any of the foregoing may acquire assets from a retail operation

under administration of the member where those assets are available to the general public for sale and that no special treatment or preference over and above that granted to the public is offered to or accepted by the member, their partners, associates, staff and related persons.

Rules Amendment History:

The CAIRP Rules of Professional Conduct and Interpretations were first enacted in 1981.

These Rules were approved by mail ballot and came into force on September 4, 1985.

The Foreword was approved on February 1, 1993.

The Interpretations were last amended November 27, 1997.

The CAIRP Rules of Professional Conduct and Interpretations were amended and approved by the membership in August 2018.