

Conflicts of interest policy

Purpose

As a regulated business, Close Brothers Asset Management (“CBAM” or “the division”) is required to take all reasonable steps to identify, monitor and manage any known or potential Conflicts of Interest (“conflicts”) which may arise in the course of providing service to clients.

Failure to do this may lead to adverse impacts for clients and reputational damage for the division or the Close Brothers Group (“CBG”).

CBAM has a number of controls in place to make sure that conflicts are appropriately managed when providing services to clients.

General responsibilities

Conflicts of interest should be avoided wherever possible. All employees are required to be alert to the fact that they may be in a position where a conflict may arise and should be aware of the issues this may raise. Any identified conflict should be disclosed via line management or to the Compliance department.

The CBAM Compliance department maintains a conflicts of interest register which is reviewed by the conflict ‘owners’ on a periodic basis. The Compliance team may undertake periodic monitoring of the disclosed conflicts.

What conflicts of interest could arise?

The types of conflict that can arise include the following:

- Where CBAM (or an employee) is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- Where CBAM (or an employee) has an interest in the outcome of a service provided to the client or a transaction carried out on behalf of the client, which is distinct from the client’s interest in that outcome;
- Where CBAM (or an employee) has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- Where CBAM carries on the same business as the client;
- Where CBAM receives, or will receive, from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service; and
- Conflicts arising from CBAM’s own remuneration or other incentive structures.

Identifying, Recording and Managing Conflicts

A summary of the principal conflicts that exist and the steps taken to mitigate them is set out below.

Employee dealing

All relevant employees and connected parties are required to adhere to CBAM’s personal account dealing policy. This is in place to ensure that any such dealing does not involve conflicts of interest or misuse of insider, proprietary or client confidential information, and that clients are not disadvantaged as a result of these dealings.

Personal discounts

Employees are not permitted to receive personal discounts or other benefits from suppliers, service providers or customers which are not available generally across CBG.

Gifts and hospitality

A policy is in place to ensure that gifts and hospitality given or received are justifiable in all circumstances and unlikely to influence the professional judgement of persons concerned. The principle of enhancing the quality of service to the client is incorporated into the policy. A central record of gifts and hospitality is maintained.

Outside business interests

No employee may engage in any additional outside employment without prior Compliance approval. In certain circumstances, consent may be withheld or conditions may be imposed.

Order aggregation and allocation

CBAM may combine a transaction for clients with orders of other clients. Where this occurs, it is purely to assist in the execution of the order. The effect of this aggregation may occasionally work to the disadvantage of some clients. Any partial fills will be applied to clients on a pro-rata basis subject to exceptions where this is not practical or market convention (i.e. an uneconomic amount). A Fair Allocation policy is in place and is integrated into the Dealing team’s day-to-day procedures. Oversight of adherence to this policy is provided by the Dealing Risk and Oversight Manager, with overall governance oversight provided by the Best Execution Oversight Committee.

Use of CBAM investment products

The firm may gain financially if in-house investment products are used by clients under advice or via discretionary management. CBAM is a restricted status firm and the nature of this restriction is clearly disclosed to clients before they undertake business with CBAM. First line controls are in place to ensure the use of in-house Close Discretionary Fund (CDF) range by our discretionary management does not conflict with other CDF clients.

Use of Securities issued by CBG

CBAM does not routinely allow its investment managers and advisers to acquire securities issued by CBG on behalf of its clients. An approval process is in place to manage this conflict, whereby any proposed CBG trades are reviewed and approved prior to purchase, to demonstrate no undue commercial pressures have been applied. Post-trade monitoring is also in place to identify failures of this process.

Dealings with other Group Entities

CBAM may execute some trades through Winterflood Securities (a securities market making firm within CBG). These trades are subject to the requirements of CBAM’s Order Execution policy to ensure best execution for clients and the arrangements reflect normal commercial terms.

Methods for managing conflicts

Information barriers

Information barriers are operated to restrict the flow of information between employees of different parts of the Group. Such a barrier exists between CBAM and Winterfloods (a securities market making firm within CBG). This allows Winterfloods to manage its trading positions without being aware of any purchases or sales being made by CBAM.

Declining to act

If it is not possible to avoid or manage a conflict of interest, CBAM will decline to provide the service requested.

Stewardship and Shareholder Engagement

Conflicts can arise if we are not aligned with shareholders' interests in shareholder resolutions e.g. our commercial interest may have an interest in voting against a resolution. Our Stewardship and Shareholder Engagement policy outlines how we consider this potential conflict in our engagement with clients.

Disclosure of conflicts of interest – a measure of last resort

On occasions, arrangements made to prevent or manage a conflict may not be sufficient to ensure, with reasonable confidence, that the risks of damage to client interests will be prevented. In this situation the nature of the conflict must be fully disclosed to the clients prior to undertaking any business for the client.

This disclosure must:

- Be made in a durable medium
- Include a specific description of the conflicts of interest that arise, taking into account the nature of the client.
- Include a description which shall explain the general nature and sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks, in sufficient detail;
- Clearly state that the organisational and administrative arrangements established to prevent or manage the conflict are not sufficient to ensure, with reasonable confidence, that the risk of damage to the interests of the client will be prevented; and
- Enable the client to take an informed decision with respect to the service in the context of which the conflict arises.

Note that disclosure alone is not sufficient to manage a conflict. The conflicts of interest policy will be considered to be deficient if there is an overreliance on disclosure.

There is disclosure of the general nature of conflicts to clients in CBAM's Terms and Conditions.

Scope

This policy applies to all CBAM entities. CBAM is a wholly owned division within CBG.