

# HOTTINGER



# GROUP

## CONFLICTS OF INTEREST POLICY

**SUMMARY:** This document represents Hottinger Investment Management Limited (“HIM”) - FRN 208737 – Conflicts of Interest Policy

**OWNER:** HIM’s Board of Directors and Compliance Officer (CO)

**EFFECTIVE DATE:** January 2018

**STATUS:** Live

**APPROVED BY:** The CO of HIM on 4 January 2018  
The Board of Directors of HIM on 4 January 2018

### MODIFICATION HISTORY:

Version	Date	Reviewed By	Changes
v.2015.01	05/08/2015	Compliance	New Policy, which replaces previous versions
v.2016.01	29/09/2016	Compliance	Annual review
v.2018.01	04/01/2018	Keystone Law	New Policy, which replaces previous versions

## 1. INTRODUCTION

Hottinger Investment Management Limited (“HIM”, “we” or “us”) is authorised and regulated by the Financial Conduct Authority (FCA). It provides investment services and activities of:

- Discretionary investment management;
- Advisory investment management; and
- Execution only brokerage;

for retail and professional clients. We face actual and potential conflicts of interests as a natural part of the day to day management of our business.

Under the Markets in Financial Instruments Directive 2014/65/EU of 15 May 2014 (“MiFID II”), we must:

- take all reasonable steps to identify and to prevent or manage conflicts of interest;
- maintain and operate effective organisational and administrative arrangements to prevent conflicts of interest adversely affecting our clients;
- where these steps are not sufficient to ensure that risks to clients are prevented, we must disclose them, to clients.

MiFID II requires us to draw up, maintain and implement an effective conflicts of interest policy and to provide a summary of that policy to clients. This is the summary required by MIFID II.

## **2. WHAT ARE CONFLICTS OF INTEREST?**

Relevant conflicts include cases where there is a conflict or potential conflict between:

- our interests or those of certain persons connected to us or our group (“relevant persons” and the duty we owe to a client; or
- between the differing interests of two or more of our clients, to each of whom we owe a duty.

Specifically, this covers situations where:

- We or a relevant person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- We or a relevant person has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- We or a relevant person has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- We or a relevant person carries on the same business as the client;
- We or a relevant person 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 monetary or non-monetary benefits or services

## **3. POLICY STATEMENT**

We are committed to carrying out our business in compliance with the highest standards of corporate governance. However, our senior management recognise that conflicts of interest may arise in our business and this Policy has been adopted to manage these conflicts. Our Policy is governed by our aim to conduct our business in compliance with the highest principles while, at the same time, acknowledging that there should be a procedure to protect us, our members of staff, and our clients from the adverse effects of any possible conflicts of interest.

## **4. POTENTIAL CONFLICTS OF INTEREST**

We have identified several categories of conflicts:

### **a) Conflicts between us and our clients:**

Potential conflicts may exist between our clients’ interests and our interests. These types of conflicts include situations where we may be unfairly advantaged at the expense of our clients.

We do not trade for our own account and so we do not have conflicts which would result from proprietary trading. The only assets that are held on behalf of the firm are within an error account. This account is only used to correct any dealing errors that may arise during the course of business for clients.

Furthermore, we do not operate a corporate finance function and therefore we do not have any conflicts which would result from offering these services to clients.

We may have potential conflicts relating to paying or receiving inducements. Our policy is to pay for investment research from our own resources to be sure that the client does not cover the direct or indirect cost of this. In compliance with MiFID II, we do not receive and retain fees or commissions in respect of independent advice and discretionary management services.

We may receive or offer inducements in other circumstances where this is permitted by law or regulation, in particular where we consider that such arrangements do not impair our obligation to act honestly, fairly and professionally in the best interests of clients. An example will be that we may sometimes pay a proportion of our remuneration to introducers of business. Where we do this, we will do so transparently, informing the client of payments that are made. We will not allow the split of commission or remuneration to affect our judgement in how we provide the services (and in particular will not adjust the amount of remuneration to be paid by the client to compensate for revenue paid to introducers).

**b) Conflicts between a member of our staff and our clients:**

Potential conflicts may exist between the interests of a member of our staff and the interests of our clients. In these situations, employees' interests may not be aligned with the best interests of our clients.

Our staff may operate their own personal dealing account subject to our internal policy. This policy includes certain restrictions and post trade review of all trades by the Compliance department to check for any potential conflicts with client orders and to take action to remove any disadvantage to clients where a conflict is identified.

It is the policy of the firm that staff may not accept a gift that is disproportionate to the relationship undertaken. All gifts are notified to the Compliance Department who will assess proportionality and may direct that a gift be returned if a conflict is considered likely between us and our clients if such a gift is accepted.

When we use our discretion to make investment decisions we are required to ensure that our actions and decisions are suitable for our clients. We, or some other person connected with us, may have an interest, relationship or arrangement that is material to the service, transaction or investment concerned. We require all members of our staff to disclose any such interest, relationship and/or arrangement and to be recused from any such service that we may provide to and on behalf of our clients.

We require all members of our staff to disclose any outside interests and to disregard such interests when acting on behalf of our clients or to be recused from any such service that we may provide to and on behalf of our clients.

There can be a conflict between a firm's remuneration policies and the interests of a client i.e. a member of staff may be incentivised to carry out transactions or take other actions which are not in the best interests of clients because of potential gain (by way of bonuses etc.) for the member of staff involved. We manage this risk as follows:

Employees are remunerated with a basic salary that is not directly dependent on the performance of client assets or revenues generated from the level of turnover of client portfolios. They are also part of a bonus scheme that is linked to the performance of the company and the individual subject to many factors overseen by a Group remuneration committee

We will use physical information barriers to stop and control the flow of information between certain parts of the business: this is known as a Chinese wall. This can occur when one fund manager or senior employee is made aware of inside information for an investment made or about to be made. We recognise this by requiring the individual to report that they are aware of such inside information;

**c) Conflicts between one client and another:**

Potential conflicts may also exist between different clients or different types of client. In these situations, one client may receive preferential treatment, which could negatively impact another client.

Before undertaking any business with a client, we must ensure the fair treatment for that client. We act at all times in compliance with the FCA's Principle 6, which requires us to pay due regard to the interests of our customers and treat them fairly. We have a TCF policy and our senior management are responsible for monitoring our business to ensure that we always act in the best interest of our clients;

We have a large client base and as such there may be times where the actions of one client conflict with the actions of another. We operate a best execution policy which ensures that all orders are dealt with sequentially, without bias and within the best interests of each client.

Should we find ourselves in a position where a transaction on behalf of several Clients could have an effect on the asset price or be limited by liquidity this would be managed as with all orders under our published **Order and Best Execution Policy** to ensure that any aggregation of executions treats all clients equally.

We offer both advisory and discretionary managed services. There will be times where a portfolio manager decides on a course of action for his discretionary clients which may also be suitable for his advisory clients. He will be able to take action immediately for his discretionary clients due to the nature of the agreement with these clients while although every effort is made to allow advisory clients to participate in the original investment decision, under the terms of the advisory agreement, the client makes the final decision on their investments which may require a different time sequence meaning that execution will not take place until approval has been given.

**d) Conflicts between members of our group and the interests of clients:**

Due to the fact that all divisions of the Group are employed in the servicing of our Clients, it is rare that a conflict arises between a Group entity and a Client. We have Chinese Walls in place upheld by senior staff in order to minimise the chance of such conflicts arising, however, should a situation occur it will be recorded and managed in line with our current procedure to ensure that all Clients are treated fairly.

## **5. RECORD OF CONFLICTS**

Conflicts entailing a material risk of damage to the interests of one or more of our clients are recorded in our Conflict of Interest Register.

## **6. MANAGING CONFLICTS**

If our arrangements to prevent or manage any conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of one of our clients will be prevented, we will clearly disclose the general nature and or the sources of conflicts of interest to our clients before undertaking business for that client.

We will at all times consult with our CO when a conflict arises; ensure that the appropriate clauses are inserted in any engagement letter, client agreement or other contractual documentation; ensure that these are signed at the outset of the business relationship; disclose any relationship that we might have with companies in written research of any kind that we undertake; and adhere to our rules on Personal Account Dealing and, where applicable, impose Chinese Walls.

The CO, in conjunction with a nominated senior manager, will oversee the effective management of any Chinese Walls within the business and will monitor all parts of the separation to help to ensure that the controls are working as intended. In addition, our senior management will also review the compliance monitoring undertaken to ensure that the Chinese Walls are being maintained and that the relevant systems are up to date. In these cases, we will often review the arrangements for each transaction and take into account new business initiatives, changes in regulation and market practice.

Additionally, our senior management will continue to be responsible for the oversight of these controls. Although our senior management is keenly aware of the risks of poor conflict management and the effect on reputational, legal and financial risks, we believe that it can only help mitigate the business risk if a similar understanding reaches all members of our staff. Given their unique position, we encourage our senior management to take positive action to ensure they sufficiently inform and motivate all members of our staff to uphold a compliant culture, whether this is through formal training on our arrangements and or through formal monitoring and record keeping.

Each member of staff has a duty to report promptly any possible conflict of interest situation by notifying our CO. Best practice always dictates that it is better to seek guidance early on any situation that may give rise to a possible conflict of interest. Guidance will be provided by our CO, who may refer the potential conflict to the Chief Executive Officer (CEO) and the Board of Directors.

## **7. POLICY DEVELOPMENT AND APPROVAL**

This Policy is owned by our Board of Directors. It has been established by our Compliance Officer and has been approved by our Board on [26<sup>th</sup> September 2016].

## **8. REPORTING**

Any new conflict that is identified is reported to our CO and recorded in our Conflicts Register. It is the responsibility of our CO to maintain the Conflicts Register. In order to ensure Management Information (MI) can be drawn from our Conflicts Register, it records:

Conflict type:

- Trading
- Trading Commissions
- Breaches and Errors
- Gifts and Entertainment
- Personal Account Dealing
- Introducers' Fees
- Research
- Reason for the Conflict
- Remedial Action Taken
- Conflict Action
- Conflicts Avoided
- Conflicts Managed
- Conflicts Disclosed
- Situations where we refused to act

All conflicts of interest are raised directly with our CO. Management Information is distributed to our Board.