

# CONFLICTS OF INTEREST

POLICY // APRIL 2018

## INTRODUCTION

When our business was initially established, one of the founders' main principles was to align its long term interests with our clients and this tenet has guided development ever since. We do recognise, however, that there will be occasions when the interests of the business may conflict with those of our clients and also when the interests of a client or clients may conflict with those of others.

The purpose of this document is to explain the principles by which we operate and the means by which we identify and mitigate conflicts.

## REGULATORY BACKGROUND

We are authorised and regulated in the United Kingdom by the Financial Conduct Authority ("FCA") and, in respect of the operations of our branch in Jersey, by the Jersey Financial Services Commission ("JFSC"). As such, we are required to adhere to the principles espoused by the regulators in dealing with conflicts of interest.

The requirements of the FCA are summarised in Principle 8 and detailed in the SYSC Module of the FCA Handbook and those of the JFSC within the Codes of Business which apply to our regulated activities in that jurisdiction. This document outlines our strategy for meeting those requirements.

## THE NATURE OF CONFLICTS

We define a conflict of interest as any situation where:

- Our interest in the outcome of the management of a product or service differs from what would be the most favourable outcome for a client or clients
- The structure of a product, service or transaction is such that our interests or those of a client could be favoured over another client
- An inappropriate incentive is available which may lead a partner, an employee or the firm in general to favour their/its own interest above those of a client or clients
- The opportunity exists to make a profit or avoid a loss at the expense of a client or clients

## IDENTIFICATION OF CONFLICTS

The identification of actual or potential conflicts of interest is led by the Compliance function through liaison with all members of the Management Committee to ensure that appropriate consideration is given to all areas in which the business operates. On confirmation that an actual conflict exists in practice the following steps are taken:

- The nature of the conflict and the potential detriment that may accrue to a client is documented

- The controls which are embedded in processes are identified and documented
- Additional controls which are procedural are identified and documented
- The Management Committee member with primary responsibility for the business area or process is required to sign a document confirming that the documented controls are in place and that they expect them to mitigate the conflict appropriately

## TYPES OF CONFLICTS & THEIR MITIGATION

Consideration of the types of conflict that may arise in the course of business has identified the following circumstances as, non-exhaustive, examples of areas where mitigating process may be required to achieve the desired outcome of putting the clients' interests above those of our own:

### Partner & Staff Remuneration

Our statement of compliance with the applicable Remuneration Code is published in detail on our website. Its principles include no direct connection of remuneration to the achievement of sales targets, all bonuses being discretionary and behaviours as well as performance being taken into account.

### External Interests

All partners and staff members are required to disclose all external business interest, including those of their closely connected persons, to enable an assessment to be carried out to identify whether any conflicts may arise. Should that be determined to be the case, relevant activity is subject to particular scrutiny.

### Inducements

We operate a policy to make it clear that the acceptance or offering of any gift or hospitality which may induce ourselves or a third party to act against the interests of client is unacceptable. The policy recognises that there may be occasions where the opportunity to build a new or existing business relationship means that engaging with third parties outside the normal business environment may be appropriate subject to appropriate disclosure and approval.

### Acting for more than one client or group of clients

If we execute a transaction where one client or group of client is selling a security and another is the purchased for more than one client or groups of clients there may be the risk or opportunity of treating a client or group of clients more favourably than another for their benefit or ours. Procedures are in place.

## Receipt and usage of market sensitive information

The nature of our business means that it is unusual for us as a business to receive such information; but on the occasions that we do, processes are in place for the information to be appropriately controlled and its usage prevented.

## UN-CONFLICTED ACTIVITY

There are a number of areas where conflicts of interest commonly occur in our sector; but which do not arise due to the structure of our business. Examples are:

- We do not charge a dealing fee which removes any incentive for us to trade unnecessarily
- We do not publish any research and therefore do not make recommendations to any third parties where we may have a vested interest
- We do not hold securities on our own account or have any proprietary trading function. We are therefore always acting as our clients' agent when executing transactions and it is in our interest as well as theirs to gain the most favourable outcome.
- Use of and payment for research
- Research commissioned by us for use within our investment process is funded from our own resources with no charge being made to our clients, either directly or via funds.

## THE ROLE OF COMPLIANCE & INDEPENDENT OVERSIGHT

- Consideration is given as to how the effectiveness of the documented controls can be evidenced as being effective in practice. Where appropriate reviews of these controls are included within the scope of compliance review programmes.
- Our business is structured in such a way that we believe it is very unlikely that a conflict will arise which we cannot readily manage and be in a position to demonstrate the effectiveness of mitigating processes. If such a scenario did arise we would refer the matter to the Audit, Risk and Compliance Committee for discussion and guidance. That Committee has an independent Chairman and the presence of two Non-Executives who are not involved with the day to day management of the business.

## MORE INFORMATION

This document is a brief summary of our approach to this important issue, which we take very seriously. We will always be happy to discuss particular aspects of our approach to clients and prospective clients. If you do have particular questions please contact [compliance@7im.co.uk](mailto:compliance@7im.co.uk).