

# CONFLICTS OF INTEREST POLICY

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<b>SUMMARY:</b>	This document represents Psigma Investment Management Limited's Conflicts of Interest policy
<b>OWNER:</b>	COMPLIANCE
<b>EFFECTIVE DATE:</b>	2008
<b>STATUS:</b>	LIVE
<b>REVIEW CYCLE:</b>	Annual
<b>APPROVED BY:</b>	Board
<b>VERSION:</b>	2017

# 1. OVERVIEW

## 1.1. INTRODUCTION

Psigma Investment Management Limited ('Psigma') is authorised and regulated by the Financial Conduct Authority ('FCA')<sup>1</sup> and is a wholly owned subsidiary of Punter Southall Group Limited ('PSG').

PSG has produced a Group Conflicts of Interest policy, to address actions or transactions that may give rise to actual or potential conflicts of interest. Psigma's Conflicts of Interest policy (the 'Policy') is supplementary to the Group Conflicts of Interest policy.

As a provider of discretionary investment services to its clients, Psigma faces actual and potential conflicts of interests as a natural part of its day to day business undertakings.

Psigma's Board is responsible for establishing and maintaining such systems and controls as are appropriate to its business. Psigma is required to establish, implement and maintain an effective conflicts of interest policy that is set out in writing and is appropriate to the size and organisation of the firm and nature, scale and complexity of its business.<sup>2</sup>

## 1.2. OBJECTIVES<sup>3</sup>

The Part IV permissions granted to Psigma by the FCA include 'Managing Investments' and 'Advising on Investments' for retail clients as well as the ability to 'Hold and control client money'.

As an FCA authorised firm, Psigma must take all reasonable steps to identify conflicts of interest ('conflicts') that arise between the firm and its clients as well as conflicts between one client and another.<sup>4</sup>

This Policy applies to employees of Psigma and identifies the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients. The Policy specifies the control procedures to be followed and measures to be adopted in order to manage such conflicts.

## 1.3. RELATED DOCUMENTS/POLICIES

This document should be read in conjunction with the following:

- FCA Principle 6 – 'A firm must pay due regard to the interests of its customers and treat them fairly'
- FCA Principle 8 – 'A firm must manage conflicts of interest fairly, both between itself and its customers'
- FCA handbook SYSC 4 – General organisational requirements
- FCA handbook SYSC 10 – Conflicts of interest
- FCA handbook COBS 2 – The client's best interest rule
- Psigma Investment services terms and conditions
- Psigma Order Execution policy

# 2. POLICY STATEMENT

## 2.1. POLICY

Psigma conducts its business in accordance with FCA Principle 8; namely, that it must manage its conflicts of interest fairly, both between itself and its clients and between one client and another. This

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<sup>1</sup> SYSC 10.1.1 R

<sup>2</sup> SYSC 10.1.10 R

<sup>3</sup> SYSC 10.1.10 R

<sup>4</sup> SYSC 10.1.3 R

helps its clients to avoid unnecessary costs and have fair access to all suitable investment opportunities.<sup>5</sup>

Psigma strives to manage its conflicts in a manner consistent with the highest standards of integrity and fair dealing. In order to ensure that these standards are met, the firm continually and proactively seeks to:

- identify potential conflicts before they happen;
- control conflicts when they happen; and
- review the controls that are in place to manage conflicts.

### **2.1.1 IDENTIFYING CONFLICTS<sup>6</sup>**

Psigma undertakes a number of activities and provides a number of investment related services where there is a risk that the interests of one or more clients could be compromised. These include:

- trading on behalf of clients;
- managing portfolios of investments;
- providing investment advice<sup>7</sup>; and
- publishing investment research.

While it is not practical to define precisely or create an exhaustive list of all relevant conflicts that may arise, there are several identifiable categories of conflicts:

- (a) Conflicts between the firm and a client**  
Potential conflicts may exist between client interests and interests of a particular business unit or generally. These types of conflicts include situations where Psigma may be unfairly advantaged at the expense of a client.
- (b) Conflicts between a member of staff and a client**  
Potential conflicts may exist between the interests of a member of staff and the interests of a client. In these situations, employees' interests may not be aligned with the best interests of clients.
- (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.

### **2.1.2 TYPES OF CONFLICTS<sup>8</sup>**

Conflicts may entail a material risk of damage to the interests of a client and Psigma must therefore take into account whether it or a member of staff:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- 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;
- has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- carries on the same business as the client; or
- 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

The circumstances which should be treated as giving rise to a conflict of interest cover cases where there is a conflict between Psigma, or a member of staff, and a client; or between one client and another. It is not enough that the firm may gain a benefit, if there is not also a possible disadvantage

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<sup>5</sup> Conflicts of interest between asset managers and their customers: identifying and mitigating the risks 1.1

<sup>6</sup> SYSC 10.1.3 R

<sup>7</sup> Included because we have the permissions

<sup>8</sup> SYSC 10.1.4 R

to a client; or that one client to whom the firm owes a duty may make a gain or avoid a loss, without there being an associated possible loss to another such client.<sup>9</sup>

### **2.1.3 RECORD OF CONFLICTS<sup>10</sup>**

The list of identified conflicts and the controls and procedures in place to manage these conflicts is set out at Schedule 1.

Conflicts entailing a material risk of damage to the interests of one or more clients are recorded in the conflicts of interest log.

### **2.1.4 MANAGING CONFLICTS<sup>11</sup>**

Psigma must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest as defined in SYSC 10.1.3R from constituting or giving rise to a material risk of damage to the interest of its clients.

Psigma employs a number of techniques to manage and mitigate conflicts including:

- using physical and electronic information barriers to stop and control the flow of information between certain parts of the business. This is also known as a 'Chinese Wall'<sup>12</sup>
- monitoring to ensure proper functioning of the information barriers
- a Conflicts Committee for the escalation of conflicts that fall outside of established conflicts resolution procedures
- provision of internal guidance and training to relevant employees to raise their awareness of conflicts and how to deal with conflicts when they arise
- a Gifts and Entertainment policy, which prohibits staff from giving or receiving gifts and entertainment without prior authorisation; and
- a Personal Account Dealing policy, which prohibits staff from dealing on their personal account without prior authorisation.

Each member of staff has a duty to report promptly any possible conflict of interest situation by notifying Compliance.

Best practice always dictates that it is better to seek guidance early on any situation that may give rise to a possible conflict or interest. Guidance will be provided by Compliance, who may refer to the Conflicts Committee.

### **2.1.5 DISCLOSURE OF CONFLICTS<sup>13</sup>**

If Psigma's arrangements to manage conflicts of interest are not sufficient to ensure that risks of damage to the interests of a client will be prevented, the general nature and/or sources of conflicts of interest must be disclosed to the client before undertaking business for them.

The disclosure must:

- be made in writing; and
- include sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises

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<sup>9</sup> SYSC 10.1.5 G

<sup>10</sup> SYSC 10.1.6 R

<sup>11</sup> SYSC 10.1.7 R

<sup>12</sup> SYSC 10.2.1 R

<sup>13</sup> SYSC 10.1.8 R

### **2.1.6 DISSEMINATION AND IMPLEMENTATION**

An abridged version of the Policy forms part of Psigma's investment services terms and conditions. A copy of the Policy is published on the company's website.

The full Policy is communicated to all staff internally via email and is available on the company's Intranet.

Training is provided annually to all staff to ensure their understanding and application of the Policy.

### **2.2. POLICY DEVELOPMENT AND APPROVAL**

The Policy is owned by Psigma's Board. The Policy has been developed by the Compliance Officer and has been approved by Psigma's Board.

### **2.3. POLICY MONITORING AND REVIEW PROCESS**

The framework set out in this Policy seeks to identify, control and review conflicts which Psigma and its employees are exposed to. The annual compliance monitoring programme includes testing of compliance with this Policy.

In order to monitor ongoing compliance with this Policy, a Conflicts Committee has been established which has been tasked with meeting on a quarterly basis to review and, where appropriate, amend and recommend acceptance by the Psigma Board of the list of identified conflicts' identifying any actual conflicts to which the business has been exposed in the reporting period.

The Conflicts Committee shall be made up of two or more of the following: the Group Compliance and Legal Director, the Chief Operating Officer, the Risk Officer and the Compliance Officer.

The committee is tasked with:

- identifying any new conflicts;
- ensure that the measures in place to control the existing conflicts are kept up to date; and
- review actual conflicts that have arisen

The Conflicts Committee reports to EXCO as well as the Board.

### **2.4. REPORTING**

Any new identified conflicts are reported to Compliance and logged on the conflicts log, for which Compliance has responsibility to maintain.

In order to ensure management information can be drawn from the conflicts log, the conflicts log records:

- Conflict type
  - Acting as trustees
    - Power of attorney
    - Mandates
  - Dealing
  - Dealing commissions
  - Errors
  - Gifts and entertainment
  - Interest on client money
  - Incentives
  - Joint ventures with clients
  - PA dealing
  - Pay aways to introducers
  - Psigma holdings in other PSG funds
  - PSFM
  - Research

- Reason for the conflict
- Remedial action taken
- Conflict action
  - Avoided
  - Managed
  - Disclosed
  - Psigma refused to act

Management information is distributed to EXCO monthly and to the Psigma Board in the quarterly Board report.

Depending on the severity of the conflict identified, conflicts should be raised directly with the Chief Executive Officer and/or the Risk Officer.

If you do not feel comfortable reporting, or it would be inappropriate to report, a potential conflict of interest directly to senior management within Psigma, you can report your concerns instead to the Group Compliance and Legal Director, Richard Garmon-Jones (telephone number 020 3327 5182).

## **2.5. DOCUMENT REVIEW CYCLE**

The Policy is reviewed and approved by Psigma's Board at least annually or more frequently in case of changes in the structure of Psigma, services or products and legislative or regulatory amendments.