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CONFLICTS OF INTEREST POLICY

1. Introduction

1.1 This policy sets out:

1.1.1 What a conflict of interest is

1.1.2 Financial Conduct Authority Requirements

1.1.3 Senior Management Responsibilities

1.1.4 Employee Responsibilities

2. What is a Conflict of Interest?

2.1 Definition:

2.1.1 A situation that has the potential to undermine the impartiality of a party because of the possibility of a clash between that party's self-interest and its professional, moral or contractual duty.

2.1.2 A situation in which a party's responsibility to another party limits its ability to discharge its responsibility to a further party.

2.2 Conflicts of interest can arise in any situation where:

2.2.1 The firm's or an individual employee's duty to act in the best interests of any client in relation to a matter conflicts, or there is a significant risk that it may conflict, with their own interests in relation to that or a related matter (an 'own interest conflict'); or

2.2.2 The firm or an individual employee owes separate duties to act in the best interests of two or more clients in relation to the same or related matters, and those duties conflict, or there is a significant risk that those duties may conflict (a 'client conflict').

2.3 Examples of 'own interest conflicts':

2.3.1 Close links with insurers – for example, placing an unusually large amount of business with an insurer because of a close link with it.

2.3.2 Claims-handling authority – for example, a broker may hold claims-handling authority. If their remuneration depends on the profitability of the underlying business they might be influenced to turn down claims.

2.3.3 Inducements – for example, from product providers such as loans, hospitality and cash gifts in the expectation of getting more business in return.

2.4 Example of 'client conflict':

2.4.1 Claims – one client makes an insurance claim against another client. The broker may be influenced to give incorrect advice to the claimant in order to reduce the impact on the other client

3. Financial Conduct Authority (FCA) Requirements

3.1 The FCA is clear about the importance of the management of conflicts of interest by making the management of conflicts one of their 11 Principles of Business for regulated firms.

3.2 Principle eight requires firms to 'manage conflicts of interest fairly, both between itself and its customers and between a Customer and another Client'. This Principle links strongly with Principle six whereby authorised firms must 'pay due regard to the interests of its customers and treat them fairly'.

3.3 SYSC 10 of the FCA Handbook sets out the requirements (for firms providing a service to clients) for identifying, recording, managing and disclosing actual or potential conflicts that may damage the interests of that firm's clients.

3.4 The FCA provides further guidance within ICOBS 2.3.1G stating 'This principle extends to soliciting or accepting inducements where this would conflict with a firm's duties to its customers'.

3.5 The FCA defines an inducement as being, broadly, any benefit offered to a firm, or any person acting on its behalf, with a view to that firm, or that person, adopting a particular course of action. This can include, but is not limited to, cash, cash equivalents, commission, goods, hospitality, or training programmes.

3.6 The FCA expects a firm's senior management to set a clear standard for their firm, to include:

3.6.1 Identifying potential conflicts and how the firm should manage them

3.6.2 Taking a broad view of the risks posed to the business

3.6.3 Making conflicts of interest the responsibility of a senior person

3.6.4 Regularly reviewing controls that reduce the impact of identified conflicts.

3.7 The FCA expects all firms to have a formal conflicts of interest policy in place setting out clearly how the firm proposes to reduce any identified conflicts. This policy should be regularly reviewed. It also expects all firms to have clear guidance in place for staff on how to recognise a potential issue and when to escalate it to management.

4. Senior Management Responsibilities

4.1 The Board of Directors recognise the firm's duty to act in the best interests of its customers and is committed to ensuring that they are not disadvantaged by any action that the firm or its employees may take.

4.2 The Managing Director has ultimate responsibility for the management of conflicts of interest and will be responsible for the establishment of a Conflicts Register and a mitigation and monitoring strategy for each identified conflict, as well as conducting an annual review of the firm's conflicts of interest for consideration by the firm's Board of Directors. In addition to reviewing the effectiveness of the mitigation measures adopted, this review will also seek to identify any new or emerging potential or actual conflicts arising. This will specifically consider any potential or actual conflicts arising from the firm's business model and corporate structure and recommend any appropriate mitigation strategies.

5. Employee Responsibilities

5.1 All staff, regardless of level, have an obligation to act in the best interests of the firm's customers. Conflicts may arise in many forms and, therefore, a prescriptive approach cannot be taken to their management. Common sense and good business practice should prevail in all cases.

5.2 Each member of staff (including all directors), in connection with their business duties, must be able to:

5.2.1 Identify any instances where they feel there is, or there is potential for, a conflict of interest to arise either between their personal interests, those of the firm and the interests of the customer or between those of a customer and another customer;

5.2.2 Avoid the conflict of interest wherever possible, and if this is not possible:

5.2.3 Manage or mitigate the conflict of interest with appropriate action; and

5.2.4 Record where the potential conflict has arisen and what action was taken, i.e. avoidance or management and mitigation.

5.3 The following process should be followed when a conflict of interest is suspected by any employee:

5.3.1 For a person potentially conflicted

5.3.1.1 The person who finds themselves in a potential conflict of interest position should firstly consider the nature of the conflict and who, or which parties, could be disadvantaged by a certain course of action, business decision, placement or acceptance of risk. If the conflict of interest can be avoided then this is the preferred option. However, it is acknowledged that potential conflicts of interest can, and do, arise as a matter of course within business in which case they must be appropriately managed thereby mitigating the risk that the conflict occurs and a course of action is taken that is, for example, to the detriment of one or more customers.

5.3.1.2 Where a potential conflict cannot be avoided, for legitimate business reasons, then the person potentially conflicted must consider whether the conflict is or can be appropriately managed to allow it to be mitigated. If there is any doubt as to whether the potential conflict of interest will be mitigated by a particular course of action then guidance should be sought from the line manager or the Compliance Manager. Full details of the potential conflict should be disclosed and any proposed course of action to mitigate the potential conflict should be supplied such that immediate support and guidance may be provided.

5.3.1.3 The Conflicts Register should be the repository of potential conflicts as they arise and a permanent record of how they were handled.

5.3.2 For a person who suspects another party or individual is conflicted

5.3.2.1 Where a person suspects that there may be a potential conflict of interest for another party or person (including the firm itself), it is their duty to bring this to the attention of the other party so the other party can take the appropriate course of action. It remains the responsibility of the potentially conflicted party or person to properly avoid or mitigate the potential conflict. If a party has failed to act responsibly in discharging their professional duties in relation to a potential conflict of interest, and the potential conflict was bought to their attention by another member of staff, then this will be viewed as a disciplinary matter.

5.3.2.2 The person suspecting the conflict must exercise their discretion on whether to raise the matter with their Line Manager or Compliance Manager for further guidance or action.