



# Conflicts of Interest Procedure

September 2011

**THE PSIGMA INVESTMENT MANAGEMENT CONFLICTS POLICY SETS OUT ANY POTENTIAL CONFLICTS OF INTEREST THAT MAY ARISE THROUGH THE PROVISION OF SERVICES TO OUR CLIENTS.**

## **1. Introduction**

PSigma Investment Management Limited (“PIM”) has adopted a Group Policy to address actions or transactions that may give rise to actual or potential conflicts of interest (“conflicts”). This policy aims to uphold PIM’s reputation for integrity and treating customers fairly, meeting FSA expectations (as outlined under the FSA’s Principles for business 6, 8 and within Chapter 10 of the FSA’s Senior Management Arrangements, Systems and Controls Handbook) and maintain the trust and confidence of our clients and counterparties. This policy makes up one part of our ongoing commitment to adhere to the highest standards of ethical conduct in relation to our treatment of clients and Conflict Management.

Senior management within PIM are responsible for ensuring that PIM’s systems, controls and procedures are adequate to identify and manage Conflicts of Interest. PIM’s Executive Committee is responsible for reviewing and assessing any matters arising which may have a detrimental, financial or reputational impact on PIM or its clients.

This document aims to summarise the key aspects of that policy.

### **Key FSA Regulations**

□□**Principle 6:**

“A firm must pay due regard to the interests of its customers and treat them fairly.”

□□**Principle 8:**

“A firm must manage Conflicts of interest fairly, both between itself and its customers.”

□□<http://fsahandbook.info/FSA/html/handbook/SYSC/10/1>

## **2. What is a conflict of interest?**

A conflict of interest arises where there is a reason within PIM’s control that prevents it from putting the interests of its clients before those of the firm and its employees, or the interests of one client or group of clients ahead of another client. In such a situation, the firm must pay due regard to the interests of each client and manage any potential conflicts of interests accordingly. The test is an objective one; namely, not what PIM or its employees thought at the time, but what an independent outsider looking into the firm would have thought.

The underlying principle that must be followed at all times is that the interests of a client must always be put before the interests of the firm and/or its employees.

A conflict may exist, or be perceived to exist, if an employee's activity is, or may reasonably give the appearance of being, inconsistent with the best interests of PIM's clients.

### **3. Rationale**

Like every financial services provider that engages in a wide range of businesses and activities, we face potential Conflicts on a regular basis. We strive to manage them in a manner consistent with the highest standards of integrity and fair dealing. In order to ensure that these standards are met we continually and proactively seek to identify and manage Conflicts to avoid both the appearance of, as well as actual, impropriety.

### **4. Identification of Conflicts**

4.1 Conflicts are unavoidable in an integrated financial services operation. We undertake a number of activities and provide a number of services where there is a risk that the interests of one or more clients could be compromised. These include:

- (a) Trading on behalf of clients
- (b) Managing portfolios of investments
- (c) Providing investment advice
- (d) Publishing investment research

4.2 While it is not practical to define precisely or create an exhaustive list of all relevant Conflicts that may arise in our businesses, there are several identifiable categories of Conflicts.

#### **(a) Client-PIML Conflicts**

Potential Conflicts may exist between client interests and the interests of a particular business unit or generally. These types of conflicts include situations where we may be unfairly advantaged at the expense of a client.

#### **(b) Client-Care Conflicts**

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.

#### **(c) Employee-Client Conflicts**

Potential Conflicts may also exist between the interests of an employee and the interests of clients. In these situations, employees' interests may not be aligned with the best interests of clients.

### **5. Conflict Management**

5.1 We employ a number of techniques to manage and mitigate conflicts of interest including:

- (a) Using physical and electronic information barriers to stop and control the flow of information between certain parts of the business (Chinese Wall);

- (b) Monitoring to ensure proper functioning of the information barriers;
- (c) A Conflicts Management Committee for the escalation of Conflicts that fall outside of established Conflicts-resolution procedures; and
- (d) Provision of internal guidance and training to relevant employees to raise their awareness of Conflicts and how to deal with Conflicts when they arise.

## **6. Gifts & Entertainment Policy**

### **6.1. Receipt of gifts and entertainment**

All employees and self-employed agents are prohibited from soliciting, receiving or accepting a gift, gratuity, favour (such as borrowing a car or holiday home), loan or entertainment either directly or indirectly, from persons or organisations engaged in business, or in competition, with the Firm.

### **6.2. Giving gifts or entertainment**

All employees are prohibited from giving a gift or making a payment to any person or organisation that engages in business with the Firm, except with the permission of a PIM Director.

### **6.3. Occasions where an unsolicited gift or entertainment may be accepted**

Employees may only accept unsolicited gifts where the gift has a nominal value of less than **£30** or its foreign currency equivalent or with the approval of PIM management. Employees may only accept unsolicited entertainment where the entertainment has a nominal value of less than **£150** or its foreign currency equivalent or with the approval of PIM management.

## **7. What to do if you suspect that a conflict of interest has arisen or may arise?**

- 7.1 Each employee has a duty to report promptly any possible conflict of interest situation by notifying his or her Head of Division or the PIM Head of Compliance.
- 7.2 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 rather than to wait until the conflict of interest arises. Senior Management in the firm are always willing to look at any particular situation and give advice on whether they consider that there is a possible conflict of interest.

## **8. Use of Disclosure**

Where we have used all reasonable efforts to manage a Conflict but those efforts are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, we will consider whether disclosure is appropriate or whether,

bearing in mind the risks involved, we should refrain from acting for one or more of our clients.

## **9. Review**

PIM will review this Conflict of Interest Policy at least annually, and where appropriate, on an ad hoc basis, to ensure it adequately reflects the types of conflicts that may arise, and how PIM manage those conflicts.

## Appendix 1

### Types of Conflicts

The following table highlights the types of conflicts that have been identified within PSigma Investment Management Limited and how these are managed by PIM's Executive Committee.

Type of Conflict	Management control
PIM or one of its affiliates make a financial gain, or avoids a financial loss, at the expense of the client and/or one of the investment accounts.	<p>PIM's systems and procedures are designed to place its accounts and underlying customers at the heart of its business. Its aim is to be open and transparent in the way that it deals with Professional Advisers and Retail Clients, and not place its interests before theirs. It is PIM's policy to observe and maintain high standards of integrity and provide fair treatment to all customers by acting with due skill, care and diligence in conducting its affairs. Staff are required to inform the Compliance Manager of all errors and breaches immediately of any failure or suspected failure.</p> <p>The Compliance Manager is responsible for maintaining a record of all alleged, purported, potential or actual rule breaches by PIM of FSA Rules and, where applicable, for reporting them to the FSA. All breaches are monitored and analysed by the Compliance Manager and used for future monitoring priorities and for the creation of monthly management information that is circulated to Senior Management and used for assessing PIM's approach towards TCF and other key objectives.</p>
Members of staff within PIM "front-run" In-house investment decisions through Personal Account ("PA") Dealing.	<p>PIM staff may not buy and sell any permitted investment or make an offer to do so, unless they have first obtained authorisation from the Compliance Manager. Approval will be valid for 24 hours unless otherwise stated. PIM staff who have not traded within the timeframe, will need to seek re-approval of the PA trade.</p> <p>PIM staff may only engage in PA dealing for investment and not for speculative purposes. There is no prescriptive holding periods for security trading and PIM does not encourage staff to "day trade" (short term holdings) and all trading activity must not interfere with their day to day work responsibilities. Any trading considered excessive or of a speculative nature will not be approved</p>

	by the Compliance Manager.
Information Flows	The principle way in which PIM structures its business to manage Conflicts of Interest with information flows is through the maintenance of information barriers (“Chinese Walls”). These are designed to restrict the flows of information between the different firms within the Punter Southall Group (“PSG”). “Chinese Walls” can be administrative, physical and/or cultural barriers. The use of Chinese Walls and other measures are put in place to enable PIM to carry out its business on behalf of our clients without being influenced by other information held within PSG that may give rise to a potential Conflict of Interest.
The giving and receiving of gifts and entertainment	PIM staff must conduct themselves to a high ethical standard and must avoid any circumstances in their role, relationship with customers and service providers that may distort or bring into question the integrity of PIM’s policy to observe and maintain high standards of providing fair treatment to all customers. There are specific requirements and monetary limits which apply to the giving and receiving of gifts and entertainment for individuals working for PIM and Independent Financial Advisers with whom PIM do, or wish to, provide packaged products for retail clients. The giving and receiving of any gift or entertainment must be reported to the Compliance Manager who will be responsible for recording, reviewing and reporting any observations to the PIM Board.
The use of soft commission arrangements	PIM have not entered into any soft commission arrangements.
The inclusion of the PSigma Dynamic Multi Asset Fund within PIM investment accounts and dealing decisions and timing for assets purchased within the fund and DFM accounts.	Thomas Becket is the Chief Investment Officer for PIM and a member of PIM’s Executive Committee and Investment Committee. He is also the Fund Manager of the PSigma Dynamic Multi Asset Fund. The relationship between PIM and PUTM is managed via a sub-investment management agreement. Where the PSigma Dynamic Multi Asset Fund is purchased within PIM investment accounts, this is following a suitability review of the account and the ATR by the investment managers.

	<p>When the Chief Investment Officer makes a decision to purchase an asset within the PSigma Dynamic Multi Asset Fund and he also recommends that the asset should be added to the recommended list for PIM's Discretionary clients, this creates a significant conflict of interest.</p> <p>The Chief Investment Officer manages this conflict by communicating his recommendations during the Investment Committee meeting. When the meeting has finished the Senior Investment Managers within PIM cascade the recommendations to the Investment Managers and any "fund" purchases are completed via POPS on the Pulse system and sent to the Operations team where they are forwarded to Penson and/or CoFUNDS who complete the deal.</p> <p>Any purchases that are made within the PSigma Dynamic Multi Asset fund are discussed by the fund team and any trades are placed by the Fund Manager or Assistant Fund Manager directly with the fund management firm.</p>
<p>The handling and investigation of complaints</p>	<p>All complaints are recorded and monitored centrally by the Compliance Manager and used for assessing our approach towards delivering fair and consistent outcomes. All complaints are investigated by a competent member of staff, who was not directly involved in the matter, which is the subject of the complaint. The member of staff will either have the authority to settle the complaint or will have ready access to someone who has the authority. If the complainant is not satisfied with the final response, they are informed of their right to refer their complaint free of charge to the Financial Ombudsman Service.</p>
<p>Outside business interests and Directorships</p>	<p>PIM Staff are required to inform the Compliance Manager of all outside business interests and directorships. This is subject to review by the Compliance Manager.</p>