

# Conflict of Interest

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MASECO LLP (“MASECO” or “we”) provides a variety of investment services to clients, including discretionary investment management services. In the course of providing its services, conflicts of interest may arise between the firm’s interests and those of its clients. This document is designed to provide clients with a high level summary of the conflicts of interest policy and procedures MASECO has in place to identify and manage actual or potential conflicts of interest.

Under FCA’s Principle for Business, Principle 8 (Conflicts of interest) we are required to pay due regard to the interests of each client and to manage any conflicts of interest fairly, both between our firm and our clients and between a client and another client. The specific rules for dealing with conflicts of interest can be found under the Senior Management Systems and Controls (SYSC) rules which can be found at SYSC 10.

**MASECO takes all appropriate steps with regards to prevention, identification, management and mitigation of conflicts of interest between:**

1. **MASECO, including its managers, employees and any associate and a client; or**
2. **one client of MASECO’s and another client;**

**which arise or may arise in the course of MASECO providing its regulated and ancillary services to clients, including those caused by the receipt of inducements from third parties or by MASECO’s own remuneration and other incentive arrangements.**

**Where we are unable to prevent or adequately manage a conflict of interest with reasonable confidence that material risk of damage to the client’s best interests will be prevented, we will disclose the nature and source of such a conflict to you before we provide our services to ensure that the risk of damage to your interests will be prevented. This will allow you to make an informed decision on whether to proceed with the service. Ultimately, if we consider that a conflict of interest cannot be managed in an appropriate manner to ensure a client will be treated fairly, we decline to act.**

## **Purpose of the Conflicts of Interest Policy**

The purpose of our Conflicts of Interest Policy (the “Policy”) is to:

- a. prevent and identify any potential circumstance which may give rise to conflicts of interest, and which pose a material risk of damage to clients’ interests;
- b. establish appropriate mechanisms and systems to manage those conflicts; and

- c. maintain systems in an effort to prevent actual damage to clients’ interests through the identified conflicts.

## **What is a Conflict of Interest?**

A conflict of interest is where someone in a position of authority or trust has competing interests (professional and/or personal) which may make it difficult to fulfil their duties fairly. For the purposes of identifying the types of conflicts of interest which arise, or may arise, where MASECO is providing a service and whose existence may damage the interests of a client, we consider whether we, or an associate:

- a. is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- b. has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from the client’s interest in that outcome;
- c. has a financial or other incentive to favour the interest of another client or group of clients over the interests of a client;
- d. carries on the same business as a client; or
- e. receives or will receive from a person other than a 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 as allowable under our regulatory license(s).

Conflicts of interest may therefore include but are not restricted to interests between:

- MASECO and our clients
- Our staff and our clients
- Two or more different clients
- Third parties and our clients
- New services/products and our clients
- Strategic changes and our clients

For example:

- Outside business interests – MASECO employees could receive confidential or inside information through outside business interests, such as directorships, which they could use to gain an advantage or avoid a loss;
- Remuneration - MASECO could establish an incentive scheme which encourages inappropriate behaviour which has no discernible benefit for clients;
- Personal account dealing – MASECO employees could front run client orders with their own personal account dealing activities;

- Order handling - Client orders could be handled in such a manner to benefit MASECO and/or its employees or one client at the expense of other clients (e.g. executing orders for one client or group of clients ahead of another or, where MASECO acts as discretionary investment manager, not allocating orders appropriately across clients' portfolios);
- Inducements - MASECO could offer or receive inducements in respect of certain services which could incentivise the recipients of the inducement not to act in the client's best interests;
- Gifts and Hospitality – MASECO and/or its employees could receive gifts and entertainment (including non-monetary gifts) that may influence the behaviour of the recipient in a way which conflicts with the client's best interests;

We have sought to identify conflicts of interest that exist in our business and have put in place measures we consider appropriate to the relevant conflict in an effort to monitor, manage and control the potential impact of those conflicts on our clients.

## Managing Conflicts

The measures for dealing with conflicts are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest carry on those activities at a level of independence, appropriate to the size and activities of MASECO and to the materiality of the risk of damage to the interests of clients.

Examples of procedures for managing conflicts include:

- Information barriers / Chinese Walls:** We have in place effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients. We also manage conflicts of interest by the establishment and maintenance of internal arrangements restricting the movement of information within MASECO. This requires information held by a person in the course of carrying on one part of our business to be withheld from, or not to be used by, persons with or for whom we act in the course of carrying on another part of our business. Such an arrangement is referred to as a 'Chinese Wall' and represents both an ethical and hierarchical separation and physical barriers between the activities likely to involve conflicts of interest, thereby aiming to prevent any undue transmission of information.

Such examples of this include information between your Advisers, information between different operational areas of the MASECO business and information between the management team and employees of MASECO.

- Segregation of duties:** The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of MASECO.
- Inducements:** Arrangements regarding inducements which set out the circumstances under which MASECO and its employees may accept and provide inducements to and from third parties, including clients and their advisers. MASECO is required to disclose inducement arrangements to clients as and when they arise and prior to the provision of any relevant service. MASECO and its employees may not pay or accept any fee or commission or provide or receive any non-monetary benefit in relation to its activities with one or more clients that would impair MASECO's duty to act in the client's best interest.
- Gifts and Hospitality:** MASECO has in place arrangements to ensure that any gifts or corporate hospitality given or accepted by MASECO's employees does not compromise the recipient's duty to act in the client's best interest. This includes prohibiting gifts or hospitality in excess of certain values determined by the Managing Partners to be minor such that the individual's judgement would not be impaired.
- Personal account dealing:** MASECO has in place arrangements to ensure that its employees avoid any personal transactions that may conflict with the interests of the firm and its clients. MASECO's personal account dealing policy prevents employees from engaging in certain activities in order to avoid actual or potential conflicts of interest and that there can be no suggestion that an employee has benefited improperly from the misuse of non-public price sensitive information, put themselves in a position of conflict with clients or behaved in any way which will be to clients' disadvantage or cause a client damage.

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**vi. Outside business interest:** MASECO employees must obtain pre-approval from their line manager, the Compliance department and, in particularly sensitive cases, a Managing Partner before taking on outside business interest, such as directorships, employment or other roles and interests, in order to prevent an actual or perceived conflict of interest.

**vii. Remuneration:** The remuneration of MASECO's employees is structured in such a manner as to ensure that it does not encourage behaviour (such as poor sales practices) which is not in the clients' best interests and promotes sound risk management practices, including conduct risk.

**viii. Training:** MASECO has in place appropriate employee training and attestation processes so that its employees are aware of the firm's procedures regarding conflicts of interest.

**ix. Governance framework:** MASECO's corporate governance framework ensures that reporting lines have been established so that potential or actual conflicts of interest can be detected and managed in accordance with MASECO's policies. In addition, potential conflicts are considered throughout our service proposition lifecycle covering current and new clients, services, potential business relationships and portfolio construction.

## Disclosing Conflicts

Where, despite the above procedures we identify or fail to prevent a conflict of interest which may present damage to the interests of a client, we will clearly disclose to the general nature and/or sources of the potential conflicts to the client before undertaking business with the client.

The disclosure will take place as follows:

- Our internal compliance department will be advised of the potential conflict of interest in writing;
- We will advise our client in writing, of the potential conflict of interest and ask them to provide their written consent to proceed;
- The client's written consent along with the request will be passed to our compliance department which can then provide approval to proceed as appropriate;
- Copies of both letters, together with the written authorisation to proceed, where applicable, will be retained on the client file.

The disclosure of conflicts of interest does not exempt MASECO from its obligation to maintain and operate effective organisational and administrative arrangements as described herein. The use of disclosure without adequate consideration as to how conflicts of interest could be managed in the client's best interest is not permitted.

**3 January 2018**

