



Citco Bank Nederland N.V. Conflicts of Interest Policy

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CITCO

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1. Introduction

1.1 What is the purpose of this Policy?

As a financial institution, Citco Bank Nederland N.V. ('CBN' or the 'Bank') may encounter conflicts of interest during the performance of its various activities for its clients. In line with the Citco Corporate Code of Conduct, CBN aims to have adequate governance arrangements in place that enables it to effectively manage its conflicts of interest.

CBN has several policies and procedures dealing with the management of conflicts of interest. This Policy gives a general insight into the organisational and administrative arrangements that CBN has in place, to manage and mitigate against conflicts of interest.

1.2 Why do we need this Policy?

CBN offers a variety of financial services and that can give rise to conflicts of interests potentially affecting the interests of our clients and the Bank or improperly influencing the performance of employees' duties and responsibilities.

This policy supports CBN in its efforts to properly identify, assess, manage and mitigate or prevent any actual or potential conflict of interest from happening. Herewith CBN complies with international and local laws and best market practices.

1.3 What is the scope of this Policy?

This Policy applies worldwide to all CBN offices and businesses including any third parties involved in the provision of services as well as any party linked to CBN directly or indirectly by employment, contract or control (employee).

Under certain circumstances, for instance if local laws or regulations impair the full execution of this Policy, the business may request Compliance to draft a local policy to meet local regulatory requirements.

The Compliance team is responsible for maintaining this Policy, and will review the Policy annually to ensure relevance and compliance with all applicable developments and legislative requirements.

1.4 What is a Conflict of Interest?

A conflict of interest is any situation in which a person or organisation is involved in an interest (financial or other) which could adversely influence the motivation or decision-making of that person or organisation to act in the best interest of the clients or the Bank. This could adversely affect the interests of the clients or the Bank. Note that in this Policy, all references to clients also refer to potential clients.

Conflicts of interest may take various forms. They can be:

1. Actual – involving a direct conflict between current duties or interests;
2. Potential – involving likely future conflicts; or
3. Perceived – not involving an actual conflict but only the perception of a conflict.

Conflicts of interest may be business-related or personal.

Business-related conflicts

Business-related conflicts may arise as a result of the structure and different activities of the Bank's businesses or companies. The following are business-related conflicts of interest:

- Conflicts between the interests of the Bank and those of the client.
- Conflicts between the interests of one client and those of another client.
- Conflicts between the interests of the Bank and those of third parties (e.g. suppliers, business partners).

Personal conflicts of interest

Personal conflicts of interest are those between the interests of an employee and those of the Bank or the client.

Personal conflicts of interest may arise because of financial, social, political, family or other personal interests or loyalties that interfere with our employees' professional responsibilities.

Examples of situations where conflicts may occur are:

- External business activities,
- Personal account dealing and investments,
- Gifts offered or provided as inducements.

2. Policy Principles and Rules

2.1 Managing business-related conflicts of interest

The proper management of conflicts of interest is ultimately a governance and conduct matter. In this regard it is the policy of CBN to:

- Act honestly, fairly and professionally in accordance with the best interest of its clients;
- To establish, implement and maintain an effective, written Conflicts of Interest Policy;

- To maintain and operate effective organisational and administrative arrangements, designed to take all appropriate steps to identify and prevent conflicts of interest from adversely affecting the interests of its clients;
- To provide clients, prior to the provision of services, with a summary of the Conflicts of Interest Policy;
- To identify, assess, prevent or mitigate conflicts of interest;
- To disclose in sufficient detail, before undertaking business for the client, the general nature and the sources of any residual potential conflicts of interest and the steps taken to mitigate them;
- To keep records of conflicts and the services and activities (being) performed, during which these conflicts of interest may arise or have arisen and report on such conflicts regularly to the Managing Board; and
- To communicate material actual, or potential, conflicts of interest to the Managing Board.

CBN's approach to preventing and managing conflicts of interest is through the proper organisational set-up of internal rules, monitoring and control measures in addition to continued education and raising awareness with all employees.

Such measures include rules with respect to conduct, information barriers, policies and global standards, procedures, awareness campaigns and training programs. These measures are designed to identify, analyse, prevent and manage conflicts of interest.

2.2 Identifying business conflicts of interest

At CBN it is our policy to take reasonable steps to identify (potential) conflicts of interest both before accepting a new engagement with a client and during a business relationship.

In identifying conflicts of interest CBN, consider all circumstances regarding a potential business relationship and take into account whether the Bank or an employee:

- is likely to profit, or avoid a loss, to the detriment of the client;
- has an interest in the outcome of a service or transaction for the client, that differs from the client's interest in that outcome;
- has an incentive to favour one client, or a group of clients, over another;
- receives from a person, other than the client, an inducement in relation to a service provided to the client, other than the standard commission or fee for that service. Such inducement may be monetary or non-monetary, in the form of goods, services or entertainment;
- has an incentive to favour its own interests above those of a client where the Bank or the employee
 - carries out the same business as the client;
 - has an incentive to provide non-impartial investment advice or investment research to the client; and
 - stands to gain from volumes of business with the client.

2.3 Registration

As detailed above, new conflicts or changes to conflicts either actual or potential should be immediately reported to line management and CBN Compliance. Conflicts may be reported verbally initially and then in writing. All details of the potential conflict of interest must be documented in full and maintained on the Conflicts of Interest ('COI') Register. The Conflicts of Interest Register will be maintained by CBN Compliance. CBN Compliance will report on conflicts to Management on a quarterly basis.

The COI Register should have sufficient detail to provide a clear and concise summary of the potential/actual conflict that has been identified. It should also detail the mitigants/controls that are in place to manage the conflict. In circumstances where the conflict cannot effectively be managed, details of what action has been taken to prevent the conflict going forward and how this has been communicated to all relevant parties, which may also include clients, should be recorded.

2.4 Preventing and managing conflicts of interest

Internal rules and separation of functions

CBN's control environment for managing risks, such as conflicts of interest, is governed by the "Three lines of defence" model, which provides that:

- The *1st line of defence* owns and manages the risks. These are our business departments that serve our clients. They are responsible for identifying and managing conflicts of interest.
- The *2nd line of defence* provides independent risk control and monitoring. These are our risk and compliance departments which challenge the business and provide guidance on the managing of conflicts of interest.
- The *3rd line of defence* evaluates independently the risk management and controls of the 1st and 2nd lines of defence and provides independent and objective assurance. This is the task of auditors who make sure that the tools and processes to manage conflicts of interest are effective.

Roles and Responsibilities

CBN Management Board

Members of CBN's Management Board are responsible for overseeing the identification, documentation, escalation and management of conflicts of interest as they arise within their relevant areas of responsibility at the Bank. Members CBN's Management Board are required to promote an appropriate culture which emphasizes the importance of ethical treatment of clients and the fair handling of conflicts of interest.

All employees

Employees are responsible for identifying and managing conflicts of interest on an ongoing basis and the Bank requires that all employees comply with this Policy and any rules and other applicable policies and procedures relating to the identification, documentation, escalation and management of conflicts of interest. All employees

should challenge and escalate promptly, issues of concern to their supervisors and to CBN Compliance so that conflicts of interest may be appropriately reviewed, managed and resolved. For the avoidance of any doubt, CBN's Management Board is also considered an employee for the purpose of this policy.

Controls, policy and procedures

CBN has implemented controls to help manage conflicts of interest at an operational level. These controls include information barriers, separation of premises, personnel, reporting lines, files and systems. The administrative framework includes the preparation and implementation of policies and procedures that address conflicts of interest.

Information barriers

Our employees respect the confidentiality of client information and do not pass it on or use it inappropriately.

Training and monitoring

Our employees are provided with guidance and training on conflicts of interest on a regular basis. Our procedures involves the internal reporting and monitoring of the effectiveness of the policies and procedures to manage conflicts of interest.

Examples of measures to prevent and manage conflicts of interest are:

- The establishment of information barriers,
- Ensuring that employees or other persons who represent different interests that may conflict, are supervised separately. Such persons include those who provide services to clients or on behalf of clients.
- Preventing or limiting any person from influencing inappropriately the way in which a person carries out investment or ancillary services or activities;
- Ensuring that one person is not involved in separate investment or ancillary services or activities at the same time or in sequence, if such involvement may result in conflicts of interest.
- Preventing the Bank from paying or receiving any fee or commission or non-monetary benefit in relation to the provision of investment or ancillary services¹ to a client (an "inducement"), unless such payment or receipt falls within an exception. An inducement could create a conflict of interest where the payment or receipt of the inducement would distract the Bank from its obligations to serve the best interests of its client. In order to closely monitor potential conflict of interest scenarios, with regards to inducements, the Bank has established policies, procedures and controls around inducements that all relevant employees are required to follow and comply with.

¹ Investment services and ancillary services are services as defined in Annex 1 section A and B of Directive 2014/65/EU of the European Parliament and the Council of 15 May 2014 on markets in financial instruments (MiFID II)

2.5 Disclosure of conflicts of interest or discontinuation of service

Where our organisational and administrative arrangements are deemed insufficient to avoid the risk of damage to our client's interests, CBN may decide to discontinue or not provide the service to the client. As a measure of last resort, CBN may also decide to disclose the potential conflict of interest to the client. Such disclosure will clearly state that our organisational and administrative measures are insufficient to ensure that the risks of damage to the client's interest will be prevented.

This disclosure describes the specific conflicts of interest involved including:

- the general nature and sources of conflicts of interest;
- the risks to the client associated with these conflicts of interest; and
- the steps taken to mitigate these risks.

This disclosure is made on a durable medium². It should be appropriate, complete and clear to the client in order to allow the client to assess the conflict situation and to take an informed decision as to whether he or she still wants to conduct business with CBN.

2.6 Managing personal conflicts of interest

Personal conflicts of interests are when an employee's interests conflict with those of CBN or of the client. These types of conflicts include situations where:

- An employee is in the position to grant business on behalf of the Bank in a way which benefits the employee or his or her family. An example is where an employee grants business on behalf of the Bank to a family company, where another business would have been more suitable for the Bank.
- An employee, or a close relative, uses its position at the Bank to receive a benefit which is inappropriate and may differ from, or damage, the interests of the Bank. An example is where an employee accepts entertainment, which may influence inappropriately his decision in selecting a preferred bidder in a tendering process.
- An employee's loyalties to, or financial dependence on, other persons or organisations may impair his or her objectivity. This may result in the employee carrying out duties for the Bank in a biased or detrimental manner to the Bank. An example is an external employee carrying out work on a contracting part-time basis for CBN and another bank.

CBN's employees are aware of the risks of conflicts of interest associated with their work as well as the procedures designed to identify and mitigate these risks. They are expected to act proactively in identifying new conflicts of interest.

² A durable medium is one that: 1) allows information to be addressed personally to the recipient; 2) enables the recipient to store information in a way that is accessible for future reference and for a period of time adequate for the purposes of the information; and 3) allows the unchanged reproduction of the information stored. This can be paper or digital medium, but needs to meet these requirements.

Core principles for all employees, in line with our Corporate Code of Ethics are:

- To act honestly, fairly and professionally and in accordance with the best interests of our clients and the Bank;
- To strive to prevent any conflicts of interests and to conduct business in accordance with our conflict of interest policies, rules and accepted standards;
- To take appropriate steps to identify any actual, potential or perceived conflicts of interests that arise before or during the course of business or outside business activities;
- To assess the materiality of a conflict of interest and to manage that conflict;
- Finally, when in a position of significant authority, function or role, to promote a sound conflicts management culture and to lead by example.

CBN strives to create a culture of integrity through its ethic principles, the Corporate Code of Ethics, as well as training and awareness. This culture is complemented by a framework of policies and procedures to ensure personal conflicts of interest are managed properly. A summary of these principles follows:

Separation of personal and business interests

Our employees are required to keep business activities separate from personal activities and interests to avoid a conflict, or the perception of a conflict, with their duties owed to the Bank, its clients, counterparties or other third parties.

Duty of care

Our employees are required to deal with clients and the Bank in a transparent, respectful and fair manner. When providing services to clients, they are required act with the requisite skill, knowledge and expertise and in an honest, fair and professional manner.

Safeguarding the secrecy and security of information

Our employees are required to protect the confidentiality of privileged information entrusted to them. They respect 'Chinese Wall' arrangements between departments, entities or teams and follow the rules on the safeguarding of information.

No undue influence

Our employees are required to base business relationships on sound business decisions and fair dealing by exercising sound judgment after considering the relevant information and views without undue influence or inappropriate outside interests.

Related party transactions

Our employees are required to make transactions with related parties, for example shareholders, executive officers, or members of the Board, on an independent basis where each party serves its own interests without exercising influence over the other party. Such transactions must be allowed under an appropriate and disclosed conflicts of interest policy and must not damage the interest of the Bank and its clients.

Interested party dealings

Interested parties are parties within CBN who have a direct or indirect interest in the outcome of the Bank's business activities. Interested parties abstain from voting and decisions if they have a conflict of interest that makes them incapable of properly fulfilling their duties to the Bank or its clients. If the conflict of interest is not of an exceptional but recurring nature, the Bank considers alternative measures including permanent exclusion from decision-making bodies and alternative membership. Interested parties are not involved in managing or monitoring the business relationship in which they have an interest unless appropriate safeguards are in place to help manage the risk.

Gifts

CBN has a policy on gifts, which provides principles and rules that govern the acceptance and provision of gifts and other benefits to and by employees, so that such gifts, if permitted, do not impair employees' duty to act in the best interest of the client or the Bank.

Outside business activities

CBN has a policy on outside business activities, which provides principles and rules that govern the notification, assessment and monitoring of employees' outside business activities in order to avoid a conflict with their business activities at the Bank.

Personal account dealing

Employees' personal transactions in financial instruments for their own account are governed by policies and procedures to mitigate the risk that such transactions amount to market abuse and that conflicts of interest related to such transactions are prevented or managed appropriately.

Remuneration

The Bank recognises that remuneration is a factor that may influence the conduct of employees. The Bank has in place remuneration policies and procedures which set out appropriate governance to prevent remuneration structures which may incentivise an employee to act contrary to their responsibilities, regulatory requirements or the Bank's Corporate Code of Ethics.

3. Related Policies

This policy must be read in conjunction with the following Policies:

- Citco Corporate Code of Ethics
- Citco Whistleblower Policy

Appendix I – Example of Conflicts

This Appendix gives some examples of areas in which conflicts can arise. This non-exhaustive list is provided only as guidance to assist readers of this Policy to understand where the areas of the business in which conflicts can arise.

Personal Account Dealing	Employees may engage in securities transactions for their own account and their interests in so doing may conflict with the interests of either CBN itself or those of its clients. A conflict may arise also from inappropriate advantage of information or time.
External Directorships	An employee assumes an assignment outside of CBN e.g. to participate in the work of the management or supervisory board of another company.
New client take on	The taking on of new clients could be to the detriment of existing clients resulting in the delivery of a reduced service.
Inappropriate information flow between separate Citco entities sharing the same premises	CBN and the Citco companies that provide services to it share premises with other Citco entities. The risk exists that inappropriate information flow between the entities that could result in a detriment to CBN client.
The favouring of one client over another (Bribery)	A CBN employee receives from (or gives to) a person other than the client an inducement for entering into a transaction with a client or for providing a service to it, in the form of monies, goods or services. These inducements to obtain maintain business or to induce someone to directly benefit a client, can result in a detriment to another client.
CBN clients with other Citco Group relationships	CBN clients may use Citco companies for the provision of other services. A potential conflict exists where CBN in the interest of the wider Citco group could treat another Citco entity differently/less rigorously and doesn't challenge, deal with breaches in an appropriate and independent manner.