



Citco Custody Limited Conflicts of Interest Policy

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CITCO

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1. Introduction

Citco Custody Limited (“CCL”) obtained authorisation from the Malta Financial Services Authority (“MFSA”) on 25 April 2014. CCL is authorised to provide the following Investment Services:

- a) Execution of orders on behalf of other persons**
- b) Reception and Transmission of orders**
- c) Nominee**
 - For Professional Clients
 - For Collective Investment Schemes
 - For Eligible Counterparties
 - For Retail Clients

in relation to the following instruments:

- Transferable Securities;
- Money Market Instruments;
- Units in Collective Investment Schemes;
- Certificates or other instruments which confer property rights in respect of any instrument falling within Schedule 2 to the Investment Services Act.

The license also authorises CCL to act as Custodian for Collective Investment Schemes.

The provision of these services may result in conflicts of interest arising between CCL and the different functions, units and/or companies of Citco (including Citco’s senior management, employees and agents, or any person directly or indirectly linked to them by control), as a result of the structure and business activities of other members of the group, and between CCL and its clients.

This Conflicts of Interests Policy (the “Policy”) specifies the approach to be followed for the identification, recording, managing and disclosing of conflicts.

2. Scope of Application and Purpose

In line with the Markets in Financial Instruments (“MiFID II”) Directive 2014/65/EU, the MFSA issued The Conduct of Business Rulebook on 20.12.2017, which was further revised in September 2018. Chapter 3 of the Conduct of Business Rulebook deals with Conflict of Interest and R3.4 specifically states:

“A Regulated Person shall establish, implement and maintain effective organisational and administrative arrangements appropriate to the size and organisation of the Regulated Person and the nature, scale and complexity of its business, to prevent conflicts of interest from adversely affecting the interests of its clients or, in the case of a UCITS Management Company, of UCITS schemes it manages.”

The purpose of this Policy is therefore to establish and document CCL's conflict of interest arrangements in accordance with its regulatory obligations and in a manner, which ensures that CCL is treating its clients in a fair and equitable manner.

The framework this Policy provides facilitates the following:

- identification;
- managing;
- record keeping;
- ongoing review; and
- where appropriate, the disclosure to clients of the conflicts that have arisen through the provision of the services to its clients.

In summary conflicts can arise between:

- CCL, (i.e. its directors, senior management, employees or any person directly or indirectly linked to them by control including other Citco business areas and divisions) and the client; and
- One client of the firm and another client.

3. Procedures for Identification, Managing, Record Keeping, Ongoing Review and Internal Reporting and Reporting of Conflicts to Client

I. Identification

CCL employees and senior management shall ensure that it identifies conflicts of interest (including Directors conflicts) that arise in the undertaking of its business. Consideration must be given to the possibility that new or amended conflicts can arise as a result of the provision of a new business service to clients, the use of a new service provider and also as a result of the take on of a new client. In relation to the new client take on, this assessment must be undertaken prior to the agreement to provide services and signing of the contract, in case any conflicts are identified that would prevent CCL from on-boarding the client.

Conflicts don't always have to arise as a result of major changes as detailed above; they can also arise as part of general business and employees and senior management need to remain alert to the potential for new conflicts.

For the purposes of identifying the types of conflict of interest that arise, CCL shall take into account, by way of minimum criteria as set out in R3.4, whether CCL or a relevant person, or a person directly or indirectly linked by control to CCL, is in any of the following situations, whether as a result of providing investment services or otherwise:

- a. CCL or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- b. CCL or that person 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;

- c. CCL or that person has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- d. CCL or that person carries on the same business as the client;
- e. CCL or that person 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 monetary or non-monetary benefits or services other than the standard commission or fee for that service.

New conflicts identified must be recorded as per the requirements of the record keeping section below and reported to line management and CCL Senior Management as soon as possible.

II. Managing

Should a conflict arise, CCL will ensure the requisite level of independence by adopting the following procedures and measures in order to prevent or manage such conflicts. These procedures and measures 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 CCL and the wider Citco group, and to the risk of damage to the interests of clients, such as:

- a. 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 client;
- b. 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 the firm;
- c. the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- d. measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities; and
- e. Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

III. Recording Keeping

As detailed above new conflicts or changes to conflicts either actual or potential should be immediately reported to your line management and CCL Senior Management. Following CCL Senior Management review and challenge the conflict must be recorded on the CCL Identified Conflicts Log. The CCL Identified Conflicts Log can be found attached to this policy as Appendix A.

The conflict write up should be sufficient to provide a clear and concise summary of the potential/actual conflict that has been identified and also as appropriate the mitigants/controls that are in place to manage the conflict.

CCL Senior Management must also clearly document if they believe the controls mitigants effectively manage the conflict, or if the conflict cannot be effectively managed details of how the conflict has been communicated to clients.

Although the primary responsibility for the recording/managing of conflicts sits with CCL Senior Management, Group Compliance will provide assistance as required in relation to recording/mitigating of new or amended conflicts.

IV. Ongoing Review and Internal Reporting

A formal review of the conflicts log will be undertaken by CCL Senior Management on an annual basis and all previously identified conflicts will be reviewed challenged and amended as appropriate. Full documentation and evidence of the review exercise will be maintained.

Subsequent to this review the full conflicts log will be tabled annually to the CCL board for their review and approval.

In addition, CCL Senior Management will table conflict Management Information (MI) to every board meeting containing details of any changes to the conflicts log (additions, amendments and deletions) that have occurred since the last board meeting.

Group Compliance will assist CCL Senior Management in the annual conflicts review process and as required in relation to additions, amendments and deletions as they occur.

V. Reporting of Conflicts to Clients

Further to the internal reporting requirements documented above CCL shall disclose to clients, situations where the arrangements they have put in place are not sufficient to ensure with reasonable confidence that the risks of damage to the interests of the client will be prevented. These situations require CCL to disclose in a durable medium and in sufficient detail the nature of the conflict to enable the client to take an informed decision with respect to the services that are being provided.

Group Compliance will assist CCL Senior Management as required in drafting communications to clients. The disclosure shall clearly state that the organisational and administrative arrangements established by CCL to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented. The disclosure shall include specific description of the conflicts of interest that arise in the provision of the service, taking into account the nature of the client to whom the disclosure is being made. The description shall explain the general nature and sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks.

CCL Senior Management is responsible for clearly detailing the issue on the conflicts log and also for communicating any such conflicts that have been identified to clients. Following the annual conflicts review all conflicts that cannot be managed sufficiently must be re-notified to clients.

VI. Policy Review

This policy will be reviewed by CCL Senior Management on an annual basis, or as required due to regulatory or internal structure change. The next review of this document is due by Q1 2020.