



# Valu-Trac Investment Management Limited

## Conflicts of Interest (CoI) Policy

### Website Version

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#### Document Control

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## 1 Introduction

This abridged Policy sets the standards and process that is adopted when identifying and reporting Conflicts of Interest within the Valu-Trac Investment Management Limited (VT). VT is required to record and report Col to relevant Committees and the Board of Directors, the rules relating to Col are included in the FCA Handbook SYSC (SYSC 10) and as part of the FCA Principals, Principal 8.

## 2 Application

This policy is applicable to all VT employees and workers, either on a permanent or fixed term contract, temporary contract and where appropriate, third party suppliers.

## 3 Applicable Regulations

- FCA Principal 8 - Conflicts of Interest
- FCA Principle 12 – Consumer Duty
- FCA SYSC 10 – Conflicts of Interest
- Relevant sections of COLL sourcebook
- Relevant sections of the FUND sourcebook

## 4 Staff Training

Given the requirement of all staff to report and monitor ColS, VT provides a mandatory training course that is required to be retaken annually.

The suitability and effectiveness of the course, including staff completion will be monitored by 2<sup>nd</sup> Line.

## 5 Types of Conflicts of Interest

Conflicts of Interest can arise between:

- Firm vs Investor
- Delegate third party vs Investor
- Individual vs Firm
- Firm vs third party
- Fund vs Fund
- Investor vs Investor

## 6 Compliance with COLL6.6.17

VT must take reasonable care to ensure that a transaction within or on behalf of the schemes mitigate actual or potential ColS between the AFM, any delegate of the AFM, and the depositary and the investors in the schemes.

This includes the avoidance of ColS related but not limited to:

- Transactions with Connected Parties
- Transactions between Schemes for which VT acts as AFM
- Execution of security transactions across multiple VT Funds and Schemes simultaneously
- Valuation of Scheme property

## 7 Management and Governance of Conflicts of Interest

The Board delegates day to day management of Col to the CEO and the other Executive Directors and the independent oversight and assurance to the CRCO.

The composition of the Board is in line with requirements under COLL 6.6.25 and COLL 6.6.26, which includes the requirement for the membership to consist of at least one quarter Independent Non-Executive Directors.

VT operates a 3 lines of defence model which supports the mitigation of Col between operational accountability (1<sup>st</sup> line), assurance (2<sup>nd</sup> line) and audit (3<sup>rd</sup> line).

VT has an independent and permanent 2<sup>nd</sup> line of defence Risk and Compliance function led by the Chief Risk and Compliance Officer. The Chief Risk and Compliance Officer is independent from the 1<sup>st</sup> line functions, is a member of the governing body and has a dual reporting line to the Chair of the Board and the CEO.

In line with COLL 6.11.2, FUND 3.7.2 and FUND 3.7.4, the VT has implemented an independent Investment Management Oversight function that is responsible for the monitoring of risk across the VT fund range. The Head of IMO reports directly to VT CEO and is a member of the relevant governance committees such as the Risk and Compliance Committee and Investment Management Oversight Committee.

Investment management of VT funds can be delegated to third party portfolio managers subject to detailed due diligence assessment and Board approval, including assessment of actual or potential conflicts of interest. These arrangements are subject to periodic review and challenge. Investment management is not delegated to depositary or a delegate of the depositary (FUND 3.10.6).

The internal audit function is responsible for the creation and performance of the Internal Audit plan. Reports and findings are overseen by the Audit Committee and escalated to the Board as necessary. Internal Audit, as part of an agreed audit plan, periodically audits the effectiveness and independence of the 2<sup>nd</sup> line Risk and Compliance function.

## 8 Identifying Conflicts of Interest

Identification of Col is the responsibility of all VT employees and non-executive directors.

When identifying a Col due consideration will be given to the requirements outlined in SYSC 10.1.4R and 10.1.17R:

- Is there likely to be a financial gain, or avoid a financial loss at the expenses of the customer?
- Is there an interest in the outcome of a service provided to or on behalf of the customer which is distinct from the customer's interest?
- Is there a financial or other incentive to favour the interests of another customer or group of customers over the interests of the customer?
- Is there a conflict in the types of services offered that are the same as the customers'?
- Is there an inducement from a party other than the customer on performing the service other than standard commissions or fees?
- Is substantially involved in the management or development of policies, in particular where such a person has an influence on the pricing of those policies or their distribution costs?
- Is the action fair to the interests of all the schemes under management?

VT has a number of processes in place to identify Col, including but not limited to;

- Population and maintenance of the Conflicts of Interest Register,
- Declarations of Outside Business Interests,
- Personal Account Dealing Policy,
- Gifts, Benefits, Inducements and Anti-Bribery Policy,

- Pre-Employment checks; includes Director time assessments,
- Due Diligence Reviews prior to delegate appointment or fund take on,
- Annual Due Diligence Reviews,
- Col Training, and,
- Reporting of Col in line with this policy to the Compliance Function

## 9 Initial Reporting Process

All levels of the business are responsible for reporting any identified Col regardless of their potential or expected impact, to the Compliance Function as soon as they become aware of them. This allows for prompt analysis of the Col to be carried out and any controls required to mitigate the Conflict.

Reporting can be made via dedicated Col reporting forms or GRC, where applicable. The reporter should ensure that they include as much information as possible regarding the identified or potential Col, including;

- Date Conflict identified,
- Date Conflict started (if different to above),
- Area of business that the conflict sits in,
- As much detail as possible on the conflict cause and effect,
- Whether it is an actual or potential conflict,
- Parties affected, and,
- Any current or potential controls.

The reporter must ensure they receive confirmation that their report has been received and may be required to supply further information if necessary.

## 10 Management of Col

Once identified and logged in the Col register the Compliance Function will allocate the ownership of the Conflict entry and any underlying mitigating controls or actions. It is the responsibility of the Col owner to manage the conflict in line with the agreed controls and process with risks and issues escalated to the Compliance Function.

## 11 2<sup>nd</sup> Line Recording Process

On receipt of a Col notification, the Compliance Function will acknowledge the notification has been received and enter it into the Conflict-of-Interest Register (The Register), allocating it a unique identification number.

The Col will be assessed with regards to its likelihood of occurring and the impact it may have before any controls are put in place, it will then be assessed again taking into account the effectiveness of controls. These assessments will allow each conflict to be assigned an inherent and residual risk rating.

Depending on the severity of the risk ratings for Cols identified, immediate notification to the Board may be required to allow any required immediate action to be taken to prevent detriment occurring.

The following table describes the reporting format of Conflicts of Interest based on the Residual Risk:

Impact	Catastrophic	At Tolerance	At Tolerance	Outside Appetite	Critical	Critical
	Major	Within Tolerance	At Tolerance	At Tolerance	Outside Appetite	Critical

	Moderate	Within Tolerance	Within Tolerance	At Tolerance	At Tolerance	Outside Appetite
	Minor	Within Tolerance	Within Tolerance	Within Tolerance	At Tolerance	At Tolerance
	Insignificant	Within Tolerance	Within Tolerance	Within Tolerance	Within Tolerance	At Tolerance
		Rare	Unlikely	Possible	Likely	Almost Certain
	Likelihood					

## 12 Controls for COI

Where COI are identified, controls are required to be deployed in order to avoid or limit the potential harm to customers. Each control must be outlined in sufficient detail in each COI entry to enable an initial assessment of the effectiveness of the control or combination of controls.

The existence and maintenance of controls outlined in the COI register will be periodically reviewed and tested in order to provide assurance of the accuracy of individual COI ratings by the Compliance Function.

Where one or more controls are not deemed sufficiently effective to avoid or limit potential harm to customers the Compliance Function will recommend and agree further actions with the COI owner. Actions will be recorded and tracked to completion prior to a re-assessment of the COI rating.

## 13 COI Disclosures

In line with SYSC 10 and FUND 3.2.2, If VT Board determines that the controls and processes in place are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a customer/scheme/fund will be prevented VT will disclose these to its customer/schemes/funds in the appropriate documentation prior to the investment.

As part of its ongoing monitoring of COI if there is a new conflict or changes to existing conflicts that that require disclosure this will be done in line with applicable requirements.