



Conflicts of Interest Policy



Conflicts of Interest Policy

1. Introduction and Background

It is important to identify and effectively manage conflicts of interest which arise or may arise in the course of providing a service and carrying out regulated activities, as their existence may lead to material risk of damage to a client's interests. This document sets out Seneca Partners Limited's and its Appointed Representatives ("Seneca")'s policy for the management of such conflicts of interest.

Seneca is a limited company which is authorised and regulated by the FCA to conduct investment management and corporate finance activities. The firm provides services mainly retail clients.

Seneca has taken this opportunity to re-examine its policies and procedures to ensure they remain fit for purpose and address, where potentially relevant, the issues raised by the FCA in its paper in a way which is proportionate to the scale and complexity of its business. Both the policy and the register of conflicts of interest will be reviewed on at least an annual basis.

This document does not intend to create third party rights or duties or form part of any contractual agreement between the firm and any client. This policy may be amended and updated at any time if any material change occurs and will be reviewed on at least an annual basis.

If at any time you are in doubt as to how to act in a given situation where you are faced with an actual or potential conflict of interest you should contact the Compliance Officer.

2. FCA Rules

The Financial Conduct Authority ("FCA") sets out obligations in SYSC 10, COBS 12 and Principle 8 to which this document is prepared.

Whilst the FCA rules are important to be adhered to by all of Seneca's staff, they are non-exhaustive, and certain other additional rules may apply to readers who are members of professional associations, or by virtue of their job role.

Failure to follow any of the rules whether by express breach, or failure to follow any of the spirit of identifying, mitigating and managing conflicts of interest may also be a breach of an employment contract.

Disciplinary action may be taken by Seneca, or in serious cases by the FCA.

3. Conflicts of Interest

These services that Seneca provides to its clients could potentially give rise to conflicts of interest entailing a material risk of damage to the interests of one or more clients. This document aims to set out these potential conflicts and the procedures that are in place to be followed and measures to be adopted in order to manage such conflicts.

Conflicts of interest may occur between a customer and Seneca, including its managers, employees, or any other persons directly or indirectly linked to the firm; or between two or more clients.

Treating Customers Fairly is central to the core values of Seneca. There is an embedded culture that understands what is acceptable and what is unacceptable behaviour. As such, conflicts of interest and the identification / management / mitigation thereof are central to this philosophy and culture.

Definition

An actual or potential conflict may arise when, in the exercise of its activities and services, the interests of: Seneca (including its managers, employees and appointed representatives or any person directly or indirectly linked to them by the control); and the interest of its clients, are directly or indirectly in competition, and which could significantly prejudice the client's interests.

4. Identifying situations where a conflict may arise

The circumstances giving rise to conflicts of interest include all cases where there is a conflict between the: Interests of Seneca, an individual member of staff, certain persons directly or indirectly connected to

Seneca: and the duty that Seneca owes to a client; or Differing interests of two or more clients, as Seneca owes a separate duty to each of them.

Conflicts of interests could prejudice a client in various ways, whether or not Seneca suffers any financial loss and independently of whether the actions or the motivations of the employees involved are intentional.

For the purposes of identifying the types of conflicts of interest that arise, or may arise, Seneca must take into account, as a minimum whether the firm, a relevant person (e.g. a director, employee or an appointed representative or a director, partner or employee of an appointed representative or a person who is directly involved in the provision of services to the firm or its appointed representative under an outsourcing agreements) or a person directly or indirectly linked by control to the firm:

- Is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- Has an interest in the outcome of the service to, or a transaction carried out for, a client which differs from the client's interest;
- Has a financial or other incentive to favour one client (or group of clients) over the interests of another;
- Carries on the same or similar business as the client; and/or
- Receives an inducement from a third party in the execution of the service provided to the client, other than the standard commission/fee for that service.

Generic Conflicts

Seneca has identified the following circumstances in which general types of potential conflicts of interest may arise:

The firm or an associate undertakes designated investment business for other clients including its associates (and the clients of its associates).

A director or employee of the firm, or of an associate, is a director or partner of, holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in on behalf of a client;

- A director or employee of the firm, or of an associate, is involved in the management of any company whose securities are held or dealt in on behalf of a client;
- A transaction is effected in units or shares of a fund or company of which the firm or an associate is the manager, operator or adviser; A transaction is effected in securities in respect of which the firm or an associate, or a partner, director or employee of the firm or an associate, is contemporaneously trading or has traded on its/their own account or has either a long or short position;
- The firm may, when acting as agent for a client, match an order of the client with an order of another client for whom it is acting as agent.

A conflicts of interest register documents these and other conflicts.

5. Prevention and management

Seneca has identified specific potential conflicts of interests which may arise in relation to its activities. The general nature and/or source of these conflicts will be disclosed to clients before undertaking business in sufficient detail to enable the client to make an informed decision about the service in the context in which the conflict has arisen. For each potential situation, Seneca has analysed whether or not the risk is actual or potential for one or more of its clients.

It is not always possible to prevent actual conflicts of interest from arising. In that case Seneca will try to manage the conflicts of interests by a four stage process;

- segregating duties or establishing Chinese Walls; or
- deciding the individual dealing with conflict is sufficiently independent to not be influenced by the conflict; or
- informing the client of the conflict so he/she can make a decision on the conflict; or
- in certain circumstances, Seneca may have to decline to take on a new client/transaction.

These stages are expanded upon below.

If Seneca considers developing new products or services or making other changes to its business model or operations, Senior Management will consider whether any additional potential conflicts of interest arise.

Senior management will update the Conflicts of Interest Policy and Register of Potential Conflicts of Interest as necessary on an ongoing basis and formally consider the continued adequacy of the arrangements annually.

Inducements including gifts and hospitality

Seneca maintains business relationships with third parties who may remunerate Seneca in the form of management and performance fees which can constitute monetary or non-monetary benefits thereby impairing Seneca's fiduciary duties to the client. The FCA Rules classify these as inducements. Further details are included in the Compliance Manual and for ease of reference reproduced in Annex 1.

Gifts and hospitality could lead to potential conflicts of interest. No employee may accept from, or give to, any person any gift or other benefit that cannot properly be regarded as justifiable in all circumstances. Policies and procedures have been implemented to ensure that staff and their connected persons do not offer or accept gifts or inducements which may give the perception that decisions or actions are not impartial. These include the requirement for gifts or hospitality, received or given, in excess of £150 but below £500 to be notified to the Compliance Officer and, where the amount is above £500, written approval must be obtained from the Compliance Officer. These policies are set out in the Compliance Manual. All employees must act with the highest standards of integrity to avoid any allegations of conflicts of interest.

A record is kept by the Compliance Officer of any gifts or hospitality received or given. Where an invitation to a hospitality event could be construed as being a business inducement, it must be declined and the Compliance Officer informed.

Personal account dealing

Employees may only undertake personal investment activities that do not breach applicable law or regulation, do not unduly distract from their employment responsibilities and do not create an unacceptable risk to the company's reputation. Transactions should also be free from business and ethical conflicts of interest. Employees must never misuse proprietary or client confidential information in their personal dealings and must ensure that clients are never disadvantaged as a result of their dealings. Seneca's Personal Account Dealing Policy has been established to ensure that personal account dealing by members of staff comply with this policy. This includes a requirement for pre-deal approval from the Compliance Officer on restricted stocks.

Aggregation of orders

Where Seneca aggregates the orders of clients, it must ensure that this does not work to the overall disadvantage of any clients whose order is to be aggregated. Seneca has established an Order Aggregation and Allocation Policy which sets out the details of the Firm's policy.

Outside employment and business interests

No employee may engage in any additional occupation without the consent of the Company. In certain circumstances, consent may be withheld.

Employees must not accept personal fiduciary appointments (such as trusteeships or executorships other than those resulting from family relationships) without first obtaining written approval from the Compliance Officer.

Remuneration and Oversight

The management oversight and determination of appropriate remuneration of members of staff is conducted by Seneca's Senior Management. Remuneration of staff is based on the overall results of the firm and is not based on the success of any transaction.

Senior Staff Remuneration (Code Staff) is decided on by the Remuneration Committee, which is compliant with SYSC 19.

Staff are subject to appropriate management and supervision to ensure that Seneca is able to demonstrate that it has appropriate and effective arrangements in place to ensure that conflicts of interest are properly managed.

6. The stages of SPL management of conflicts

Chinese walls, Information barriers and segregation of duties

There are several distinct tasks within the discretionary investment management business that could lead to potential conflicts of interest that are mitigated by them being segregated from the individuals directly involved in the task.

Seneca maintains appropriate policies in its Data Protection Policy and Compliance Manual detailing Insider Lists and Information Barriers often known as Chinese Walls so as to limit or withhold the use of information that is price-sensitive, confidential, and could give rise to market abuse, restrictions on dealing, conflicts of interest, or any other improper or unethical activities.

Seneca maintains and periodically updates the Restricted Lists of financial instruments that are prohibited or restricted from investment as a result of a conflict of interest or inside information.

The Compliance Officer monitors along with the relevant business line managers the effectiveness of these Information Barriers. In some circumstances staff may be taken “across the wall.” Where this happens the Compliance Officer must be notified and a record made thereof, along with updating of the Restricted List.

A policy of Independence

When Seneca is aware of a conflict of interest but does not feel it material, in that it would affect decisions of the relevant staff, then a file note is made of this decision. Such decisions might be rare, and disclosure would be appropriate.

Disclosure

In certain cases, Seneca may disclose the general nature and/or source of potential or actual conflicts to its client in writing before undertaking business on its behalf so that the client can decide whether or not to accept these potential conflicts.

Declining to Act

If it is not possible to avoid or manage a conflict of interest, Seneca may have no choice but to decline to provide the service requested.

7. Record Keeping

Under SYSC 10.1.6 Seneca must keep and regularly update a written record of the kinds of investment or ancillary services or activities carried out by or on behalf of the firm in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an

ongoing service or activity, may arise. These records will be for a minimum of five years from the date of creation and are maintained on an ongoing basis by the Compliance Officer.

8. Reporting

Conflicts of Interest situations or potential conflicts situations should be reported to the Compliance Officer immediately.

Annex 1

Conflicts: Gifts; Inducements and Personal Account Dealing

Purpose

To prohibit accepting or giving of benefits that may give rise to a conflict with Seneca's duty to its clients. COBS 2.3.8G differentiates between gifts given to or received by the firm and those acting on its behalf (inducements) and by employees of the firm in their personal capacity (minor gifts and hospitality).

Minor Gifts and Hospitality

Policy

In keeping with Seneca's conflicts of interest policy **all** gifts, i.e. above £100, and hospitality, i.e. above £100, received **or** given must be notified to the Compliance Officer. In instances where the gift/hospitality are above £500 then the Compliance Officer must be informed, and written approval will be required. Note that the policy also extends to e.g. events attended by the recipient's partner, friends or family.

The value of any gift etc. will be on the basis of its market value or cost incurred by the provider and not its face price (if any).

If the matter concerns an event not attended by staff of the donor firm (whether that be Seneca as donor or a third party where Seneca is the recipient) it will be regarded as a 'gift' and not as 'hospitality'.

Where the Compliance Officer is not comfortable with the value or the circumstances regarding the gift or hospitality (regardless of the value), the matter will be referred to the Chief Executive for approval. The decision reached will be confirmed in writing to the member of staff.

These two levels are reflected in the firm's Conflicts of Interest Policy.

Under no circumstances (regardless of the value) can cash (or other negotiable instruments) be given or received.

Exceptionally, where a refusal might offend the giver (e.g. in certain foreign countries), or offering be prohibited (e.g. public officials) employees should, where practicable, act in accordance with advice from the Chief Executive Officer or Compliance Officer. Where this is impracticable, employees should act with discretion, informing the Compliance Officer as soon as reasonably practicable after receipt of the apparent inducement of all the circumstances and recording the facts in the Gifts Register.

Employees must decline hospitality or entertainment if it is of such a nature that the firm cannot reciprocate, or is unlikely to wish to reciprocate, or it is on a scale significantly more generous than anything which the firm would be likely to provide in return. Employees should decline frequent offers of hospitality or entertainment from the same source. Compliance with the rules set out in this manual is part of the terms and conditions of all firm employees.

A key test is to consider whether the gift etc., if made known to Seneca's clients, might cause concern about the objectivity of decisions etc. taken on their behalf. In making a decision, thought must be given to the frequency of such gifts etc. which, in isolation may be of low value but collectively give cause for concern.

Provided gifts to individuals, in a personal capacity, are within the above limits then such gifts will not be relevant for the rule on inducements (see below).

Inducements

General Prohibition

Under COBS 2.3.1, a firm must not pay or accept any fee or commission, provide or receive any non-monetary benefit in relation to designated investment business or other ancillary business carried on for a client other than:

Where it is made to or by the client or a person on behalf of a client; or,

Where it is made to or by a third party, or a person on behalf of a third party if;

- i. The payment etc. does not impair compliance with the firm's duty to act in the best interests of the client; **and**,
- ii. The existence, nature and amount of the payment etc., or where the amount cannot be ascertained the method of calculating that amount, is clearly disclosed to the client, in a manner that is comprehensive, accurate and understandable, prior to the provision of service (but note points 1-3 below); **and**,
- iii. In relation to MiFID or equivalent third country business, the payment etc. is **designed to enhance the quality of the service to the client**; or,

Where it is made as proper fees which enable or are necessary for the provision of designated investment business or ancillary services (e.g. custody costs, settlement and exchange fees, legal fees, etc.) which by their nature cannot give rise to conflicts with the firm's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

In point (ii) above:

this requirement only applies to business other than MiFID or equivalent third country business if it includes giving a personal recommendation in relation to a packaged product.

where this requirement applies to business other than MiFID or equivalent third country business, a firm is not required to make a disclosure to the client in relation to a non-monetary benefit permitted under (iii) and which falls within the table of reasonable non-monetary benefits in COBS 2.3.15 G as though that table were part of this rule for this purpose only;

This requirement does not apply to a firm giving basic advice.

In point (iii) above:

COBS 2.3.6G advises that the receipt of a commission by an investment firm in connection with a personal or general recommendation, in circumstances where the advice or recommendation is not biased as a result of the receipt of commission, should be considered as designed to enhance the quality of the recommendation to the client.

COBS 2.3.3 – COBS 2.3.8 offers guidance on inducements. COBS 2.3.2 states that for Seneca to satisfy the disclosure obligations it, firstly, must disclose the essential arrangements relating to the fee, commission or non-monetary benefit in summary form. Secondly Seneca must undertake to the client that further details will be disclosed on request and thirdly, Seneca must honour that undertaking.

Bribery

The firm prohibits the offering, the giving or acceptance of any bribe intended to induce an 'improper performance' of a relevant function or activity. Please refer to Seneca's anti-bribery policy.

Monitoring

The Compliance Officer will undertake monitoring of the Corporate Policies and the recording of hospitality/gifts and inducements in the relevant registers. Checks may also be made of the Expense Claim form system to determine whether all reportable hospitality and entertainment have been recorded.

Personal Account Dealing Rules

Purpose

Seneca allows Personal Account Dealing ("PA Dealing") provided that it falls within the permitted framework ('PA Dealing Policy') as set out later in this Chapter. Staff's primary function at Seneca is to ensure they operate in the best interests of the Firm and underlying clients. Hence excessive PA Dealing may raise conflicts of interest or personal finance issues where staff trade beyond their means. These factors may directly affect employees' abilities to perform their role. Seneca has a vested interest to ensure that Staff maintain adequate financial stability so as to limit any incentives to fraud or competing interests between Staff and Seneca.

Statutory and Regulatory Framework

Section 11.7 of the Conduct of Business Sourcebook states that a firm must take steps to ensure that a 'personal transaction' undertaken by any of its employees does not conflict with the firm's duties to its customers under the regulatory system; does not contravene the Market Abuse Regime; or does not involve the misuse or improper disclosure of that confidential information. The prohibition also extends to procuring another person to do so or to disclosing information or opinion to another person which might lead them to undertake such business. See below for definition of 'personal transaction'.

The definition of a 'personal transaction' extends to trades on behalf of a spouse or relative etc. (see later in this Chapter).

This Chapter also states that when a firm gives permission to undertake a personal account transaction, it receives prompt notification of, or is able to otherwise identify, that transaction.

The PA Dealing requirements do not apply in respect of personal transactions effected under a discretionary portfolio management service if there is no prior communication in connection with the transaction between the discretionary portfolio manager and the relevant person. Personal transactions in life policies and in units or shares in UCITS are allowed as long as that person is not involved in the management of the UCITS. The arrangements set out in the rules apply to all dealings in investments by Staff (including directors) and employees of Seneca other than the exceptions mentioned below.

Personal Account Dealing Rules – General

It is a condition of Seneca's status as an FCA regulated firm that it has written rules for PA Dealing in investments and that the observance of these rules is a term of their contract of employment.

The firm's PA Dealing Rules are designed to protect members of staff, and the firm, from any criticism over personal dealings in investments and in particular that staff have used 'inside information', obtained by virtue of their employment, for personal gain or for the benefit of Seneca. For this reason, all staff, and their immediate family etc. (see 'Other Persons'), are subject to our PA Dealing Rules.

Staff are responsible for observing the PA Dealing rules in relation to his/her own dealings and are required to familiarise themselves with the PA Dealing rules prior to any dealing. A breach of the PA Dealing rules can be a disciplinary matter, which may result in dismissal. If staff are in doubt of any parts of this section, or any aspects of their dealings, they must contact the Compliance Officer immediately.

If considered appropriate, the Compliance Officer may request additional information relating to PA Dealing.

Restrictions on Dealings

Notwithstanding the firm's personal account dealing policy (as set out in this chapter) all Staff are reminded:

Dealings for Customers

Dealings on behalf of customers must always have priority over dealings by staff on their own account or on behalf of Seneca.

Dealing through Other Persons

Staff must not try to avoid the rules by putting their deals through the names of other persons whether connected to them or not. Therefore, if staff are precluded from entering into a transaction for their own account, he/she must not procure any other person to enter into such a transaction. An attempt to do so may be a criminal offence.

Availability of Funds

Staff must not undertake transactions in securities unless they have sufficient funds available for settlement.

Short Term Dealings

If it is anticipated that dealing is being undertaken on considerations of a short-term nature (speculative); reference should be made to the Compliance Officer. Short-term is presumed to be a holding period of less than 30 days. Hence staff will generally be encouraged to hold investments for longer than 30 days.

Credit and Special Dealing Facilities

Staff must not request or accept any credit or special dealing facilities without the specific prior consent of the Firm. If appropriate, staff are required to inform their broker of their employment with a regulated firm and provide copy of such notification to the Compliance Officer.

Remuneration Code

Staff are reminded that they are not allowed to use personal hedging strategies or insurance-based products that would undermine the risk alignment effects embedded in the firm's remuneration arrangements (SYSC 19A.3.30R). See Chapter 4 for further details of the Remuneration Code.

Seneca's PA Dealing Policy

General Obligation

PA dealing relates to 'personal transactions'. A personal transaction is a trade in a designated investment and apart from the 'relevant person' (see definition below) it will also capture trades by spouses, children, partners etc. In case of doubt reference should be made to the definition of 'personal transaction' in the FCA Handbook and the Compliance Officer.

Investments that are held at the commencement of employment at Seneca may be sold provided the Compliance Officer has given prior written approval for the trade. Furthermore, all new PA Dealing investments require prior approval. The Compliance Officer will consider whether that transaction will conflict with Seneca's duties to its customers under the regulatory system or whether the transaction involves the misuse or improper disclosure of confidential information. Notably the Compliance Officer will check that the requested PA Deal does not give rise to a conflict of interest that could be managed, is in respect of a restricted or watch listed instrument, and if the PA Deal is being done on behalf of a third-party spouse or dependant, that the relevant person has authority from the relevant person.

Only when the Compliance Officer has given permission may the relevant person enter into such transaction. The Compliance Officer will provide his permission, or his decision to not allow the transaction in writing (memo or e-mail) to the staff member. Dealing permission is normally only valid for 24 hours.

After entering into a Personal Account Transaction

After the Compliance Officer has given permission to a relevant person to enter into a PA Deal, they must provide the Compliance Officer with details about the transactions promptly after the transaction has been carried out (COBS 11.7.4R(2)(a))

Relevant persons are also required to provide a copy of the deal confirmation (or contract note) shortly after execution. This may be sent direct to the Compliance Officer by the firm effecting the trade.

Record Keeping

The Compliance Officer will keep a record of all permissions given or refused, confirmations received, and each notification made by staff. These records will be kept for a period of five years. Such records should include the basis on which Seneca has given permission to deal, a record of notification from Staff that they have dealt, traditionally this is a Confirm Note from the Broker, and the basis on which Seneca has decided certain staff are not covered by the PA Dealing Rules. The Compliance Officer will also keep a record (for a five-year period) of these PA Dealing rules and of any amendment made.

Periodic Disclosure

Seneca requires a quarterly reaffirmation by all Staff of the PA Dealing Policy. Further, all Staff must on an annual basis disclose details of their discretionary holdings so as to ascertain whether there has been any market abuse or insider dealing activity.

Relevant Persons

Seneca's PA dealing procedures apply to relevant persons and other persons (as set out below).

- Director, partner or equivalent, manager or appointed representative/tied agent of the firm;
- Director, partner or equivalent, or manager of any appointed representative/tied agent of the firm;
- An employee of the firm, or of an appointed representative/tied agent of the firm, as well as any other natural person whose services are placed at the disposal and under control of the firm and who is involved in the provision by the firm of regulated activities; or

- A natural person who is involved in the provision of services to the firm or its appointed representative/tied agent under an outsourcing arrangement for the purposes of the provision by the firm of regulated activities.

It is the policy of Seneca to extend the PA Dealing rules to **all** staff. In addition, the below are **also** subject to Seneca's PA Dealing rules.

Other Persons

In addition to relevant persons themselves, Seneca's Personal Account dealing policy applies to the following individuals (based upon the definition of 'personal transaction'):

- The spouse or civil partner of the relevant person or any partner of that person considered by national law as equivalent to a spouse;
- A dependent child or stepchild of the relevant person;
- Any other relative of the relevant person who has shared the same household as that person for at least one year on the date of the personal transaction concerned;
- Any person to whom he has close links; or
- A person whose relationship with the relevant person is such that the relevant person has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.

Breaches of Internal Procedures and Policy

Where a Staff member has breached any internal measures in the PA Dealing Policy, and subject to any legal, regulatory or disciplinary breaches, Seneca may require the relevant person to bear the dealing costs of unwinding a trade, and any profits there under to go to charity, and any loss to be borne by the member of staff.

Useful Links

COBS 2.3 (Inducements)

<https://www.handbook.fca.org.uk/handbook/COBS/2/?view=chapter>

COBS 11.7 (PA Dealing)

<https://www.handbook.fca.org.uk/handbook/COBS/11/?view=chapter>