
Old Mutual Asset Managers (UK) Conflicts of Interest Policy



1. Introduction

The content of this Conflicts of Interest Policy has been designed to meet the requirements under SYSC 10.1.11R and aims:

- to identify, by reference to the specific services and activities carried out by (or on behalf of) OMAM (UK), the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients;
- to specify procedures to be followed and measures to be adopted in order to manage such conflicts; and
- to communicate this information to all those who are in OMAM (UK).

Further relevant regulatory provisions are set out in SYSC 10. The provisions are available on the FSA website or can be obtained from the compliance department.

It is the responsibility of all OMAM (UK) employees to familiarise themselves with the policy and to report conflicts of interest in writing to the compliance department. This policy is available for client due diligence on request. OMAM (UK) reserves the right to amend or supplement this policy at any time.

2. Regulatory background

FSA Principle 8 (Conflicts of Interest) states:

“A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.”

These requirements have been amplified in the SYSC Sourcebook (Senior Management Arrangements, Systems and Controls).

3. Identifying conflicts

The provision of SYSC 10.1.3 R requires firms to take all reasonable steps to identify conflicts of interest between:

- OMAM (UK) (extending to all relevant persons which include employees, their family, friends and business associates), and a client of OMAM (UK); or
- One client of OMAM (UK) and another client,

4. Types of conflict

SYSC 10.1.4 requires that, for the purposes of identifying the types of conflicts that arise, or may arise, in the course of providing a service and whose existence may entail a material risk of damage to the interests of the client, OMAM (UK) must take into account, as a minimum, whether the firm or a relevant person, or a person directly or indirectly linked by control to OMAM (UK):

- 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 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;

- Has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- Carries on the same business as the client; or
- 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 monies, goods or services, other than the standard commission or fee for that service.

Circumstances in which conflicts of interest could arise, and are applicable to OMAM (UK)'s day to day business, include:

- Misuse of information;
- Personal interests in funds;
- Personal account dealing;
- Inducements and the use of dealing commission;
- Trade allocations;
- Disparity between performance fees for different funds; and
- Old Mutual Group conflicts.

5. Managing conflicts

- **Corporate governance**

OMAM (UK) has robust corporate governance arrangements in place. Key business decisions are taken by the Executive Management Committee (EMT). The compliance department reports into the Chief Risk Officer, who is a member of the OMAM (UK) Board.

OMAM (UK) has standard employment terms and conditions governing employee conduct, including compliance with key policies such as personal account dealing and inducements, which assist in the mitigation of conflicts of interests.

The structure of OMAM (UK) includes clear and defined reporting lines with appropriate segregation of duties to help reduce the risk of conflicts occurring.

- **Insider dealing conflicts**

OMAM (UK) has controls in place to help minimise the risk of insider trading occurring. Stocks on which OMAM (UK) is 'inside' are added to the Stop List and cannot be traded until the inside information has been released to the market.

OMAM (UK) has a Model Code Policy in place in order to meet the listing requirements of its parent company, Old Mutual plc.

- **Allocation of trades**

All trades across accounts are pre-allocated with trades that are partially filled allocated pro-rata. Compliance monitoring is conducted on a monthly basis to ensure compliance with COBS requirements.

- **Investment process and pre-trade controls**

The investment process for OMAM (UK) hedge funds is, in many cases a simple extension of long only funds managed by the same desk and the difference lies in the portfolio construction (sell short rather than go underweight) and risk controls. Investment mandates and processes are documented and electronic monitoring via the firm's order management system ensures both are adhered to.

There is an internal rule within OMAM (UK) which prohibits any one management team 'shorting' a security whilst another portfolio managed by that team holds (and intends to continue to hold) a long position in that security.

For the avoidance of doubt, this prohibition does not apply where the portfolio holding the long position is managed on a quantitative basis.

- **Old Mutual Group conflicts**

The Old Mutual Group is structured so that each affiliate can operate on a solo basis with limited Group intervention. This limits the probability of Group risks arising. Interaction between Group affiliates is limited to that of a commercial agreed basis.

- **Disclosure of personal conflicts**

Employees are required to disclose any actual or potential conflicts of interest. Disclosure of conflicts must be made to the compliance department promptly and in writing. The compliance department will consider the conflict and either approve or prohibit the activity, dependent on whether the conflict can be appropriately managed. All details will be recorded within the OMAM (UK) conflicts register.

The concept of affiliation is also included within this policy. Affiliation may be defined as the close involvement with a vendor, or service provider on the part of:

- A director of a company within Old Mutual;
- An employee of Old Mutual; or
- The spouse or equivalent, parents, or children, friends or business associates of a director or staff member of Old Mutual.