

# **RBS Collective Investment Funds Limited**

## **Conflicts of Interest Policy**

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## Introduction

Conflicts of Interest are inherent in the financial services industry and affect all businesses at all firms. RBS Collective Investment Funds Limited (“RBSCIFL”) bases its business on a contract of trust with its clients and we owe a duty to you to manage any known conflicts to ensure that you are not disadvantaged by them.

At RBSCIFL, we have a number of policies and procedures in place which are designed to manage these conflicts. We have set out below, a summary of the conflicts that we are likely to experience and how we manage these for you.

## Code of Ethics

All RBS staff are subject to a Code of Ethics which places certain restrictions on them. Specific policies exist for staff who have access to confidential information about RBS’s funds. These restrictions include prior notification and approval of the personal dealings of staff and their families. Personal dealings are monitored on a regular basis and disciplinary procedures can be imposed for any breaches of its policy and Code of Ethics. RBSCIFL maintains a record of any potential conflicts and gives this appropriate oversight in the relevant governance committees.

## Policy

Conflicts of interest are inherent in the financial services industry and mainly arise in the course of providing investment or ancillary services. At an operational level, there are only limited circumstances where a conflict might arise; these tend to relate to dealing and box management activities. RBSCIFL currently acts as Authorised Fund Manager (“AFM”) on behalf of two ICVC Fund schemes.

In this context, the Company has developed a conflicts of interest policy which takes into account the nature, scale and complexity of its business and has determined that it is relatively non-complex when compared with other management companies. In reaching this conclusion, the Company has assessed the following factors:

- the number of Funds for which the Company is responsible;
- the number of investment managers engaged to manage the assets of the Funds;
- the size, types and location of the assets under management including the fact that the Funds invest in liquid assets with readily available prices;
- the regulatory status and jurisdiction of the Fund schemes under management;
- the investment strategies of the Funds, including the extent to which the Funds will employ leverage; and the distribution model and investor base.

RBSCIFL’s policy is to take all reasonable steps to identify conflicts of interest which may entail a material risk of prejudice to the interests of either a Fund scheme or a client and to have appropriate operational and administrative arrangements in place to manage those conflicts, using whichever method is considered appropriate under the circumstances. This will be done in a way that ensures all parties are treated fairly, and ensures that it conducts its business with integrity and according to proper standards of business.

Where arrangements are not considered sufficient to ensure that the risks of damage to a Fund’s schemes or a client’s interests cannot be prevented, the general nature and/or source of these conflicts will be recorded and disclosed before business is undertaken with the Authorised Fund Manager (“AFM”).

Responsibility for identifying conflicts of interest and determining the appropriate methods of managing them sits with Investment Management Committee (“IMC”) with appropriate escalation to the Oversight and Audit Committee. Appointments of third party service providers are made on an arms-length basis and with due regard to the interests of the funds and the shareholders of the funds.

Internal relationships are managed with appropriate Chinese Walls to protect the interests of the funds. Details of the types of activities which may give rise to a conflict of interest, together with the arrangements in place to manage these are detailed over the page under section: Our Commitment to You.

Where appropriate, these will include conflicts which may arise as a result of connected business activities of other members of the group.

## Control Framework

RBS’s Fund Governance and Oversight team within Commercial and Private Banking (“C&PB”) will provide some first line oversight of conflicts of interest as part of the management of the on-going Investment Management relationship, and C&PB Risk and Conduct will include conflicts of interest as part of its risk based monitoring plan, as appropriate. As a minimum, this will involve the following:

- An annual review of the conflicts policy.
- A review of the services or activities carried out by RBSCIFL that will or may give rise to a conflict of interest.

- A review of the Conflicts of Interest arrangements of third party service providers, with particular focus on oversight of the Investment Manager who manages the RBSCIFL Funds. The Investment Manager who manages the RBSCIFL funds is requested, on an annual basis, to supply their Conflicts of Risk policy to RBS's Fund Governance and Oversight team to ensure this is reflective of this policy.
- RBS carry out regular evaluations of the services and costs of all service providers for RBSCIFL. Research costs are absorbed by the Investment Manager, so there is only execution dealing commissions being disclosed in the commission report. This will be reviewed and analysed against peer group data.
- RBS Fund Governance and Oversight will review conflicts of interest as part of their oversight of the Investment Manager and this will be included as a standard agenda item at the monthly IMC.
- RBS C&PB Asset Management Financial Control have an additional responsibility to oversee fund pricing, including allowance for charge rebates from underlying Funds invested in, and would identify any conflicts through their current checking processes.
- Further oversight is provided by second line ( C&PB's Risk and Conduct team) and third line (RBS Internal Audit).

## **AFM Policies**

The AFM has a number of local policies which set out the control framework for managing particular conflicts of interest. These include:

- Box Management Policy including the Dilution Levy Policy
- Market Timing policy
- Remuneration policy
- Unit Pricing Policy including the Fair Value Pricing Policy
- Voting Rights policy

RBSCIFL retains copies of Coutts and Company's Dealing Arrangements Policy. This covers for example execution, broker selection, commission sharing and conflicts. This is reviewed by them on an annual basis. The depositaries review this on an annual basis to meet regulatory requirements. This information is also made available to Investors.

## **Market Timing**

Market Timers are customers of RBSCIFL who employ speculative trading strategies in our funds with a view to making short-term gains. These strategies include making large, frequent transactions for short holding periods. RBSCIFL does not consider these practices to be in the best interests of its long-term investors as it could undermine the value of the funds. We therefore have a number of policies and procedures in place to deter and detect market timers and the discretion to refuse to deal with anyone who is suspected of engaging in market timing activities.

## **Box Management**

RBSCIFL is permitted to maintain a buffer or "box" of shares, although it is the policy of RBSCIFL to operate a zero box. Accordingly, we only create or cancel shares in line with customers' demands.

## **New Share Classes**

Where RBSCIFL wishes to launch a new class of share, we will only do so if the new class of share will not provide any advantage for that class which would prejudice shareholders of any other class of share.

## **Transaction Processing**

Where RBSCIFL acts under a nominee arrangement, dealing instructions to buy or sell shares from a customer may be aggregated with those of other customers. When this happens, RBSCIFL aims to process all customer instructions fairly and in due turn.

When dis-aggregating deals, we will do so in a manner that does not favour the interests of one customer over those of another.

## **Business Entertainments and Gifts**

Within RBS we have strict procedures and policies in place regarding the types of gifts and business entertainments that are acceptable to our business.

## **Our Commitment to You**

We will continue to monitor the types of conflicts that may arise in our business and endeavour to manage those conflicts in accordance with our regulatory and fiduciary obligations. If we become aware of a situation where we are unable to satisfactorily manage any conflict we'll disclose it to you before we do business with you.

 **Braille, large print or audio format?**

If you'd like this information in another format,  
call us on **03457 888 444** (Minicom 0800 404 6161)

RBS Collective Investment Funds Limited.

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