

Conflicts of Interest Policy June 2022

1. Introduction

As an investment firm defined under the Markets in Financial Instruments Directive II ("MiFiD investment firm"), Henderson Rowe Limited ("Henderson Rowe", "the Firm") has a regulatory obligation to have processes in place for the identification, management, mitigation, recording and disclosure of the perceived, potential and actual conflicts of interest which may arise during the course of its business.

2. Regulatory Requirements

The conflicts of interest regime is governed by Principle 8 of the Financial Conduct Authority's ("FCA") Principles for Businesses which requires that "a firm must manage conflicts of interest fairly, both between itself and its clients and between a client and another client".

Chapter 10 of the Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC 10") sets out the requirement for MiFiD investment firms to have in place a written policy which identifies the circumstances that may give rise to conflicts and the measures and processes adopted by the Firm to record, manage and disclose such conflicts.

This Conflicts of Interest Policy sets out the Firm's organisational and administrative arrangements for the handling of conflicts of interest.

3. Scope

This Policy applies to all employees, including fixed-term, temporary employees and contractors, of the Firm, as well as its appointed representatives.

4. Identifying Conflicts of Interest

Given the Firm's business lines, conflicts of interest may arise during the provision of its services. In determining whether conflicts of interest exist to which this Policy applies, each circumstance is assessed against the materiality of risk of damage to the clients, particularly, whether it:

- (i) is likely to make a financial gain or avoid a financial loss at the expense of a client;
- (ii) has an interest in the outcome of a service which is different to that of a client;
- (iii) has an incentive to favour the interest of one client over another client; or
- (iv) receive an inducement in relation to the services provided to the client.

Upon identification of a conflict, details of which must be reported to the Compliance team.

5. Types of Conflict

The Firm has identified the following circumstances whereby conflicts of interest may arise as a result of the provision of its services to clients:

5.1 Acting as an agent for more than one client

For its investment management services, the Firm acts in the capacity of an agent on behalf of two or more clients in the same transaction. A conflict may arise where the Firm is remunerated by those clients for that transaction.

5.2 Client order handling

When placing orders for execution on behalf of its clients, conflicts may arise as a result of aggregation of orders, in particular, where:

- (i) orders are matched and carried out with that of another client;
- (ii) comparable orders are carried out simultaneously by different clients; or
- (iii) orders are partially filled which may lead to unfair allocation amongst clients.

5.3 Personal transactions

The Firm's policy permits personal transactions undertaken by its employees and their Relevant Persons. Conflicts may arise where personal transactions are traded ahead of client orders, i.e. front running or the same financial instruments are traded as the clients, either in the same direction or in opposing direction, with an aim to influence the price.

5.4 Inducements

Inducements, i.e. goods or services other than the standard fees and commissions for a service, may impact the quality of the relevant service to the client. Conflicts of interest may arise where inducements are given to or received by third parties, including introducers, brokers or other service providers.

5.5 External business interests

The Firm's policy permits employees to undertake external roles, in addition to their standard employment. In these cases, the duties of their external appointments may conflict with their responsibilities within the Firm. Such conflicts may include the receipt of material non-public information through outside business interests or inappropriate distribution of products and services to clients other than the Firm's.

5.6 Remuneration structure

Conflicts of interest may arise where employees' remuneration is directly linked to business volumes as such remuneration arrangement may provide an incentive for employees to generate maximum revenue at the expense of clients' interests.

5.7 Group products and services

The Firm's asset allocation models for its discretionary managed services include investment products which are manufactured by its parent company. Conflicts of interest may arise where client assets are heavily allocated in such products with the aim to generate greater revenue for the parent company.

5.8 Other business lines

In addition to its investment management services, the Firm also acts as introducer for other business lines, including corporate finance business, foreign-exchange and portfolio lending services, to its clients. The introducer arrangement may give rise to conflicts of interest as the Firm, in conjunction with its appointed representatives for the corporate finance business, is, either directly or indirectly, remunerated by the service providers where business relationships become successful.

5.9 Investment research

The Firm's investment research is outsourced to its parent company where direct payment is made. It is the Firm's policy to prohibit paying for investment research using clients' commissions.

6. Managing Conflicts

As part of the Firm's conflicts of interest arrangement, it has implemented a set of key measures for managing these conflicts:

6.1 Information barriers

The Firm has established internal controls, including technological and electronic information barriers, to restrict the flow of information between different business functions. These arrangements are designed to prevent the exchange of information between employees involved in activities where sharing that information may harm the interests of the clients, for example, the exchange or misuse of material non-public information.

The Firm has also implemented an "Insider List" which records instances where employees are exposed to inside information relating to issuers of securities.

6.2 Order Handling Process

Processes have been embedded in the Portfolio Management team which set out the operational arrangements of client orders to ensure clients' best interests. These arrangements include the treatment and timely execution of client orders, aggregation and allocation of those orders, as well as client order priority to avoid front running.

6.3 Personal account dealing arrangement

The Firm has put in place a Personal Account Dealing Policy which details the processes for undertaking personal transactions for employees and their Relevant Persons. The Policy sets out the requirement to pre-clear personal trades, disclosure of personal trading accounts and restriction to place personal trades ahead of client orders.

6.4 Outside business interest arrangement

The Firm has put in place an Outside Business Interests Policy which details the requirements for employees to disclose and pre-clear outside activities to ensure that their external appointments do not give rise to conflicts of interest.

6.5 Inducements

The Firm has put in place a Gifts and Hospitality Policy which sets out its arrangements relating to inducements. It is the Firm's policy that it must only provide or accept inducements that are designed to enhance the quality of the relevant service to the client and that they do not impair compliance with the duty to act honestly, fairly and professionally in accordance with the clients' best interest.

6.6 Compliance Monitoring

As part of its compliance monitoring programme, the Firm undertakes regular testing on its trading activities, including best execution and timely execution of trades, as well as aggregation and fair allocation of trades to ensure that conflicts between clients are minimised.

The Firm also conducts regular reviews and trend analysis on the personal transactions undertaken by its employees and Relevant Persons, the provision and receipt of gifts and hospitality and the monitoring of outside business interests.

6.7 Remuneration Arrangements

The Firm has put in place a Remuneration Policy which documents its arrangements of remuneration for all employees. These arrangements cover the Firm's governance and oversight relating to remuneration, its risk management framework, details of fixed and variable remuneration and performance measurement.

The Remuneration Policy has also been designed to remove any direct link between the remuneration of employees mainly engaged in one activity and the remuneration of, or revenues generated by, another employee mainly engaged in other activities, where a conflict may arise in relation to those activities.

For the Firm's businesses, its remuneration structure is disclosed to the clients prior to business relationships being established.

6.8 Oversight and Governance

The Firm's control environment aims to embed segregation of duties to avoid an employee performing several of the key functions in a process, for example, processes relating to investment decisions, placing of client orders for execution and authorisation of payments.

The Firm's supervision framework and reporting lines have also been designed to ensure separate supervision of an employee whose primary function involves carrying out activities on behalf of clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Firm's.

6.9 Compliance Training

Conflicts of interest forms part of the annual compliance training programme for existing employees and induction programme for new employees. Conflicts of interest training includes the identification of conflicts of interest in the first line of business, the obligation to consider conflicts of interest issues and the need to report conflicts of interest, whether they are perceived, potential or actual, to the Compliance team.

7 Relationship with Parent Company

The Firm is a wholly owned subsidiary of Rayliant Global Advisers ("Rayliant"), with its main office registered in Hong Kong. Apart from the Firm, Rayliant has other subsidiaries which sit under its group. The day-to-day operation between the Firm, Rayliant and its subsidiaries is structured so that each entity is operated independently. The structure has been designed so that conflicts between group entities are minimised.

The Firm may, only under the circumstances where it is appropriate, introduce products and services to clients from its parent company and subsidiaries to its clients. In such cases, assessments will be carried out to ensure that such introductions are suitable for those clients.

In the event where the Firm does not believe that its arrangements to manage conflicts of interest are adequate to mitigate the material risk of damage to the interests of its client, it will clearly disclose the nature and source of such conflicts to the clients prior to making the introductions.

8 Disclosure of Conflicts

Where the Firm believes that its conflicts of interest arrangements and controls are not sufficient to ensure, with reasonable confidence, that the risks of damage to a client's interests will be prevented, it will disclose such conflicts to the clients.

Under such circumstances, disclosure will be made to the client prior to undertaking the relevant business and be made in a durable medium. Disclosure to clients include an explanation of the general nature and source of the conflicts of interest and steps taken to mitigate those risks. Adequate details will be provided to the client to enable that client to make an informed decision with respect to the service in the context of which the conflict of interest arises. The Firm will also seek permission from the client prior to the provision of products and services.

Disclosure of a conflict of interest to a client as a means of managing a conflict is a measure of last resort and will only be adopted in the circumstances where the effective organisational and administrative arrangements established to prevent or manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interest of clients will be prevented.

9 Refusal to Act

In the event that the Firm believes that a conflict situation cannot be appropriately managed to prevent the damage to the interests of a client, it will refuse to act for that client.

10 Further Information

Further information about this Policy or for our detailed approach to conflicts of interest can be obtained by contacting info@hendersonrowe.com or via telephone at 0207 907 2200.