

SVM Conflicts of Interest Policy Summary



Issue Date: July 2019

This document summarises SVM's policy on the identification and management of potential conflicts of interest between:

- SVM or any person directly or indirectly linked to the firm by control and its clients; or
- One client and another

SVM's Conflicts of Interest Policy meets FCA requirements and best practice for clients. This is a summary of the Policy. The full Policy is available to clients on request.

Background

The FCA expects all firms to review and implement appropriate processes and procedures to identify and resolve any conflicts of interest that arise in relation to their business. The FCA has made it clear that protecting clients against conflicts of interest is one of their key priorities. The FCA has identified specific areas where firms must have effective controls. These include:

- Management and controls around the purchase of research and trade execution services, including oversight of commission payments
- Ensuring equal access to all suitable investment opportunities
- Inducements and the management of gifts and entertainment
- Personal dealing by employees, and
- Allocation of the cost of errors between the firm and customers.

This highlights the importance of senior management establishing an adequate framework for identifying and managing conflicts of interest, and setting an appropriate company culture.

FCA requirements on Conflicts of Interest

The FCA sets two essential requirements to identify and manage conflicts;

1. A firm must manage conflicts fairly both between itself and its customers, and between a customer and another customer.
2. a) A firm must identify and record conflicts between it and its customers, and between its customers, that could cause a material risk of damage to customers' interests.
b) A firm must take reasonable steps to prevent conflicts from causing a material risk of damage to a customer's interests, or otherwise disclose the conflict so that the customer can make an informed decision.
c) A firm must have an effective and proportionate policy to identify and manage conflicts.
d) Firms must have adequate systems and controls. In relation to managing conflicts this means monitoring and managing conflicts and appropriate flow of management information about the incidence and management of conflicts.
e) Firms must ensure that clients are treated fairly and implement restrictions on Personal Account Dealing.
f) Firms are required to take reasonable steps to state why they believe their procedures are effective.

Conflicts can also arise, from attempting to manage client mandates with differing objectives; including benchmarks, risk appetite, review timescale and liquidity tolerance.

SVM's Policy on managing Conflicts of Interest

SVM's policy is to seek to identify and manage all actual and potential conflicts of interest as fairly as possible. This requires all members of staff to act responsibly in executing their duties. If a member of staff becomes aware of a situation where a conflict might arise, or has arisen, they must bring this to the immediate attention of a Director or Risk & Compliance.

SVM has established a Conflicts of Interest Committee, with an independent non-executive chairman, to identify any potential for conflicts, review policies and controls, and report on these to senior management and the Board.

SVM believes that it manages conflicts of interest effectively. As an investment boutique with a focus on equity management, this reduces the diversity of client mandates and potential for conflicts between clients. The primacy of client interests is deeply embedded in SVM's corporate culture, with the firm being led by a Board of investment professionals. All the investment team are members of professional bodies with high ethical standards and codes that reflect the importance of serving client interests and good stewardship. The strong culture, active review by senior management, Conflicts of Interest Committee and the SVM Board are all reasons why SVM believes it has effective management and controls in relation to conflicts of interest.

A record will be kept of any conflicts identified, along with the action taken. If a conflict cannot be removed, it is important that it is adequately managed with ongoing controls and review. Where clients need to make an informed decision about a conflict, they will be advised as soon as practicable.

When identifying the types of conflict of interest that arise, or may arise, SVM will consider whether the firm or relevant person:

- Makes a financial gain, or avoids a financial loss, at the expense of a client
- Has an interest in the outcome of a service or transaction carried out on behalf of the client, which is different from the client's interest in that outcome
- Has a financial or other incentive to favour the interests of another client or group of clients over the interests of the client
- Receives from a person other than the client an inducement in relation to a service provided to a client in the form of monies, goods or services, other than the standard fee for that service.

The SVM Board of Directors is responsible for ensuring that SVM

- a) takes all reasonable steps to identify conflicts of interest that arise or may arise in the course of its business;
- b) maintains and operates effective organisational and administrative arrangements to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of SVM's clients;
- c) maintains records of the kinds of service or activity carried out by or on behalf of the Company 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; and
- d) reports to clients any situation where the arrangements made to manage conflicts of interest are not sufficient to ensure that risks to the damage to the interests of a client will be prevented.