



Conflicts of Interest Policy

September 2020

Conflict of Interest Policy

Purpose / Summary of Procedure
<p>The purpose of the Conflict of Interest Policy is to provides information to, and explains the regulatory responsibilities of, employees regarding any Conflicts of Interest.</p> <p>All employees of LGPS Central Limited (LGPSC) must read and follow this Policy. Failure to do so may result in disciplinary action.</p>

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Confidentiality	External: For clients of LGPS Central Limited
Level	-

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Function(s) of author(s)	Mike Vinton

Scope of Procedure's Application
LGPS Central Limited All business functions
Department Responsible for Procedure
Responsible – Compliance Accountable – All LGPSC Departments Consulted – All business functions Informed – All business functions, CCRO
Procedure(s) or Reference / Related Texts(s)
MiFID & FCA
Areas of Risk and Concerned Departments
Client Services, Investment Services, Legal, Compliance & Risk, Finance, Human Resources, IT, Investment Operations.

Version Control			
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1.0	01.02.2018	Mike Vinton	
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Introduction

This policy aims to identify the circumstances which may give rise to a conflict of interest

Whenever a new conflict is identified by LGPS Central Limited (“LGPS”) and/or its staff, this will be informed to Compliance and the Conflicts of Interest Register will be updated.

This Policy applies to all LGPS staff This policy is included in the LGPS Compliance Manual which is provided to all LGPS staff. All LGPS staff are required to confirm their adherence to its standards on an annual basis.

This Policy is made available to all Clients of LGPS.

LGPS Central Limited take all reasonable steps to ensure that all employees follow the relevant guidance this included where staff are working in the office or from home, where this can be done fairly and effectively.

Scope/Objective

This Policy addresses the requirements of the Markets in Financial Instruments Directive (MiFID) which include the following action for the purposes of managing conflicts of interest:

- a) firms must take all reasonable steps to identify and manage conflicts of interest between themselves and their clients, or between one client and another that arise in relation to the provision of investment and ancillary services
- b) firms must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of the client
- c) where such measures are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, the firm must clearly disclose the general nature/or sources of conflicts to the client before undertaking business on its behalf

The Policy also satisfies the requirements set out by the FCA in SYSC 4 & 10 in establishing effective frameworks to identify and control conflicts of interest.

The purpose of this policy is therefore to identify with reference to our business, 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 of our clients, and to set out the procedures to be followed and the measures adopted so that LGPS can manage these conflicts.

POTENTIAL CONFLICTS AND MEASURES TO PREVENT OR DETECT CONFLICTS

Beyond loyalty, MiFID makes specific demands of asset managers relating to conflicts. All firms covered by MiFID must ask themselves where conflicts may arise, develop an appropriate conflicts policy and record any conflicts arising. LGPSC must also maintain effective organizational arrangements to prevent conflicts of interest from adversely affecting clients and, where these arrangements are not reasonably likely to prevent conflicts, LGPSC must disclose the potential conflict to the client before working on their behalf

CONFLICTS BETWEEN THE FIRM EMPLOYEES AND CLIENTS

Inappropriate Influences & Inducements

Policies and procedures have been implemented to ensure that investment managers do not offer or accept gifts or inducements which may give the perception that investment decisions are not impartial. These include a £50 limit on the aggregate value of gifts from a single source within a single year. Any gifts above this amount must be notified to the Chief Compliance & Risk Officer.

In relation to dealings with brokers, investment managers must deal only with brokers identified within the LGPSC Best Execution Policy. Broker activity and performance is periodically reviewed by the Dealing & Best Execution Committee in accordance with the LGPSC Order Execution Policy, but also to ensure that trading activity which is conducted is authorised and without partiality. The company uses investment research budgets which are agreed and monitored.

Personal Account Dealing

Policies and procedures have been implemented in relation to personal account dealing and outside business interests to ensure that conflicts of interest which may arise between investment managers' personal interests and the need to make impartial decisions are appropriately managed. All staff must obtain approval from the Chief Compliance & Risk Officer as detailed in the policy prior to undertaking personal account trades.

Individual Investment Managers' Remuneration

There is no bonus scheme within LGPSC and therefore the remuneration of each individual investment manager is linked to their personal objectives which cover all the mandates that they are responsible for and adherence with the policies of LGPSC.

Individual Investment Managers' Pension

An Investment Manager may be responsible for managing portfolios which are included within their own pension arrangements and portfolios that are not included within their pension arrangements. This creates a potential conflict in how they may focus their attention and efforts. This conflict is managed by appropriately setting and monitoring the objectives of each Investment Manager; remunerating them in accordance with their overall performance; monitoring and reviewing portfolio performance; and ensuring the framework is in place to embed the treating customers fairly.

Employee Outside Business Interests

It is possible that any employee of LGPSC (including the Non-Executive Directors) may have an outside business interest that may cause potential conflict with their role and duties. All such outside business interests must be notified to the Chief Compliance & Risk Officer and are recorded on a register with mitigating controls implemented where appropriate.

CONFLICTS BETWEEN THE FIRM AND CLIENTS

LGPSC acting as an AIFM with internally and externally managed funds

As LGPSC is an AIFM with both internally and externally managed funds there are potential conflicts created by this. One conflict is in the selection of Investment Manager as it may be viewed that LGPSC may favour internal managers over external managers. This is mitigated by the selection process have oversight independent from the investment function.

Investment Managers' Remuneration

Investment managers' remuneration is not based on specific investment transactions.

Use of Dealing Commission

A use of dealing commission agreement means any agreement, whether oral or written, under which LGPSC receives goods, services or any other benefit in return for an assurance that not less than a certain amount of business will be transacted through a particular firm or individual. The company does not enter into any such arrangements. The company uses investment research budgets which are agreed and monitored, and the cost of which are paid by the company.

Material Interests

In the unlikely event that LGPSC has a material interest in a proposed transaction the transaction must not be undertaken unless the clients' best interests are, at all times, properly safeguarded.

CONFLICTS BETWEEN CLIENTS

Aggregation and Allocation

No client should be favoured with respect to the selection of equities/securities or timing of purchase or sale of securities over another client. The following allocations principles must be applied:

- a) dealing for different clients in the same security and at the same time must be aggregated and the aggregate purchased or sold as a block as far as possible,
- b) each aggregate allocation should be allocated at the price paid per unit allocated,
- c) if it is determined by the CIO that this is in the best interests of the clients concerned to have other than broadly predetermined allocations, such a decision shall be documented and passed to the Chief Compliance & Risk Officer to be recorded.

In the event that a transaction has been affected collectively for more than one client and it is apparent that not all clients can be satisfied in full, the transaction should be allocated among those clients according to the following criteria:

- a) pro rata in accordance with the value of each of the clients' original trades (omitting any resulting allocations that would be too small to be reasonably marketable or disproportionate to the needs of any portfolio),
- b) LGPSCs assessment of the client's tolerance for investment risk,
- c) the terms of the client's Investment Guidelines so as to ensure that LGPSC does not unduly favour one client at the expense of another.

When the collective transaction has been executed, the allocation must be completed as soon as possible in accordance with these criteria, and a record made of the date and time of allocation, securities and number of units allocated, and the name of clients to whom the allocation is being made.

Generation of investment opportunities

Given the nature of some investments there may be instances in which further potential investment opportunity arises as a result of a relationship established through a particular client or portfolio. LGPSC has established a policy aimed at ensuring that clients are treated fairly in such circumstances.

CONFLICT OF INTEREST AWARENESS AND CULTURE

In addition to the above specific measures taken to prevent or detect conflicts of interest, the LGPSC Board fully support the development of a culture of conflict prevention and management at all levels of the organisation. This includes the following measures:

- Inclusion of conflicts of interest training as part of LGPSC induction and ongoing staff training and development.
- Noting that it is the responsibility of the Chief Compliance & Risk Officer to encompass development and regular monitoring of controls to identify and manage conflicts of interests.
- Inclusion of conflicts of interest drivers and matters arising as an agenda item at Board meetings.
- Annual review and update of the Conflicts of Interests Policy to ensure that all new potential conflicts are being addressed.
- Inclusion of conflicts of interest procedures within the audit scope of the LGPSC Internal Audit Function.
- Periodic signed declaration by staff confirming that their observance of the LGPSC's compliance rules including those on conflicts of interests
- All staff are required to make an annual declaration to Compliance detailing all their relevant outside interests or confirming that they have no such interests

DISCLOSURE

Where we are unable to implement policy measures which are sufficient to prevent risk of damage to client interests, we will disclose in writing, the general nature and/or source of the conflict to the client before undertaking business on its behalf.

CONFLICTS OF INTEREST RECORD KEEPING

A Conflicts of Interest register is maintained by LGPSC's Chief Compliance & Risk Officer and is annually reviewed by senior management and the Board.

In addition, we will 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 maintained on an ongoing basis by LGPSC's Chief Compliance & Risk Officer.