

CONFLICTS OF INTEREST MANAGEMENT POLICY

1. Introduction

Pacific Private Bank Limited (the “Bank”) conducts its business with endeavour to ensure that no Conflicts of Interest arise but because of the nature of financial services market, the Bank faces actual and potential Conflicts of Interest periodically. Hence, the Bank operates according to the principle that it must identify and manage Conflicts of Interest fairly, both between itself and its Clients and between one Client and another.

The Bank’s policy is to take all reasonable steps to maintain and operate effective organisational and administrative arrangements to identify and manage relevant conflicts. Senior management within the Bank are responsible for ensuring that the Bank’s systems, controls and procedures are adequate to identify and manage Conflicts of Interest. The Compliance Unit of the Bank assists in the identification and monitoring of actual and potential Conflicts of Interest.

The Bank has in place business-specific procedures that address the identification and management of actual and potential Conflicts of Interest that may arise in the course of the Bank’s business. This Conflicts of Interest policy (the „Policy“) sets out the minimum standards that the Bank will meet to comply with such rules and guidance. It does not replace the Bank’s requirement to observe any additional local regulatory requirements when identifying and managing Conflicts of Interest.

2. Objective

The Bank is required to take all reasonable steps to identify and adequately manage Conflicts of Interest entailing a material risk of damage to a Client’s interest. This policy specifies the requirement for the Bank to have in place appropriate procedures and measures in order to identify and manage any such material Conflicts of Interest. Policy applies to all divisions within the Bank as well as to Relevant Persons.

3. Scope

3.1. Conflicts of Interest

For the purposes of this document this Policy applies to those Conflicts of Interest that may give rise to a material risk of damage to the interests of a Client. Conflicts of Interest may arise between:

- the Bank and a Client;
- a Relevant Person and a Client;
- two or more Clients of the Bank in the context of the provision of services by the Bank to those Clients;
- a Bank Vendor and a Client.

3.2. Clients

For the purposes of this Policy „Clients“ include:

- existing Clients of the Bank;
- potential Clients (where the Bank is seeking individually to enter into a contractual relationship in respect of Regulated Business services);

- past Clients where fiduciary or other duties remain in place.

3.3. Regulated Business

For the purposes of this Policy „Regulated Business“ means all forms of sales and trading activities in securities and derivatives and their underlyings, underwriting and placing activities, portfolio management, investment advice, lending and foreign exchange services related to sales and trading activity.

3.4. Relevant Person

For the purposes of this policy, „Relevant Person“ means:

- a Director of the Board, member of the Senior Management or any other appointed representative of the Bank;
- a director or a manager of any appointed representative of the Bank;
- an employee of the Bank or of an appointed representative of the Bank; as well as any other natural person whose services are placed at the disposal and under the control of the Bank and who is involved in the provision of regulated activities by the Bank;
- a natural person who is involved in the provision of services to the Bank or its appointed representative under an outsourcing arrangement for the purpose of the provision by the Bank of investment services and activities.

3.5. Bank Vendor Relationship

For the purposes of this Policy, a “Bank Vendor Relationship” means a relationship that the Bank has with a service provider, including but not limited to entities providing outsourcing facilities to the Bank, where services are being provided to the Bank.

4. General Guidance

In identifying Conflicts of Interest, the Bank will consider all of the factual circumstances and the Bank will take into account, inter alia, whether the Bank, Vendor or a Relevant Person:

- 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 a Client or group of Clients over the interests of another Client;
- carries on the same business as the Client;
- 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.

5. Examples of Potential Conflicts of Interest

Within a multi-service financial institution such as the Bank a Conflict of Interest may arise in a variety of situations when two or more parties have different interests in an undertaking. Areas of concern include:

- proprietary trading
- portfolio management

- corporate finance
- personal account dealing
- ownership interest

Below are non-exhaustive examples of what may be considered typical conflicts of interest that may arise in relation to investment services provided by the Bank:

- (a) The Bank may engage in business and trading activities for its own account and/or Client accounts whilst other Clients are active in relevant markets at the same time;
- (b) The Bank may provide investment advice or discretionary portfolio management services to its Clients and the Bank may also recommend or sell products issued by itself;
- (c) The Bank or Relevant Person receives or provides substantial gifts or entertainment (including non-monetary inducements) that may influence behaviour in a way that conflicts with the interests of the Clients of the Bank;
- (d) The Bank has in place appropriate procedures should the Bank or Relevant Person provide a substantial gift or entertainment to a Client that may be considered an inducement;
- (e) The Bank is the discretionary portfolio manager for more than one Client or fund – in particular in respect of issues related to allocation.

6. Identifying and Managing Conflicts of Interest and Potential Conflicts of Interest

Should a Conflict of Interest arise, it must be managed promptly and fairly. As a minimum standard the Bank has in place arrangements designed to ensure that:

- divisions of the Bank (Operations, Client Relations, Compliance Unit) operate with appropriate independence from one another;
- there are effective procedures in place to control the flow of information where, otherwise, the risk of a Conflict of Interest may harm the interests of a Client;
- supervisory arrangements are provided for separate supervision of staff where necessary for the fair management of Conflicts of Interest;
- there are appropriate controls in place to identify and manage cross-board memberships and outside business interests of Relevant Persons;
- relevant information is recorded promptly in a secure environment to enable identification and management of Conflicts of Interest and, where appropriate, reports may be made to senior management and the Board;
- appropriate disclosure may be made to the Client in a clear, fair and not misleading manner to enable the Client to make an informed decision;
- appropriate inter- and intra-divisional escalation processes are in place and complied with where a Conflict of Interest has been identified or may be identified;
- adequate records are maintained of the services and activities of the Bank where a Conflict of Interest has been identified;
- where necessary, Relevant Persons may be asked to step aside from working on a specific transaction or participating in the management of a potential Conflict of Interest;
- where necessary, Relevant Persons are subject to personal account transaction rules; and
- there is a periodic review of the adequacy of the Bank's systems and controls.

The Bank requires that potential business be logged at the earliest possible time and prior to signing a confidentiality agreement; receiving any non-public information or making a commitment, verbal or written, to act for a Client. This is to assist in the identification and management of potential Conflicts of Interest.

In order for the Bank to be in a position to identify potential conflicts, material transactions involving Clients, Relevant Persons or the Bank are logged internally and analysed against existing Bank relationships and transactions.

7. Information Barriers

The Bank respects the confidentiality of information it receives about its Clients and operates a “Need to Know” approach and complies with all applicable laws with respect to the handling of that information. Access to confidential information is restricted to those who have a proper requirement for the information consistent with the legitimate interest of a Client or the Bank.

The principal way in which the Bank structures its business to manage Conflicts of Interest is through the maintenance of information barriers (“Chinese Walls”) in accordance with the Bank’s Information and Security policy which is designed to restrict information flows between different areas of the Bank. Measures laid in Information and Security policy are put in place to enable the Bank and Relevant Persons to carry out business on behalf of Clients without being influenced by other information held within the Bank that may give rise to a potential Conflict of Interest. The Bank also has in place secure and confidential system NANO maintained within the Bank, to record material information to assist in the identification and management of potential Conflicts of Interest.

8. Responsibilities

Performance of the responsibilities for managing Conflicts of Interest are to be delegated to all staff to identify and manage appropriately any Conflicts of Interest that arise in a particular division of the Bank. Staff is to be aware of the extent of the risk in a certain area in terms of Conflicts of Interest and is aware of the processes that have to be followed in the event of a potential conflict arising.

Compliance Unit has a responsibility for recording the details of conflicts arising, as well as for monitoring the effectiveness of the conflicts procedures.

9. Measures of Control for Identification and Management of Conflicts of Interests

In managing a Conflict of Interest it may be appropriate to use additional measures in the event that existing ongoing conflicts management measures are not sufficient to adequately manage the potential conflict, such as the following:

- implementation of ad hoc transaction specific Chinese Walls or other additional information segregation methods following consideration of all of the facts available to relevant management;
- escalation to senior management who have responsibility for the strategy of the Bank and an appreciation of the relationship and reputation risks that may arise;
- declining to act.

10. Disclosure of Conflicts of Interest and Client Consent

As a global financial services organisation, the Bank engages in many activities that may conflict with the interests of its Clients. The Bank has procedures to protect the Client’s interests from conflicts that might arise from a firm’s own activities. In certain circumstances, if some Conflict of Interest remains and, where permissible by local regulations, disclosure to an affected Client may be made in order to seek Client consent to act. Disclosure will be made of the general nature and / or sources of conflict to enable the Client to make an informed decision.

11. Register

The Bank keeps and regularly updates a record of the types of Regulated Business activities carried out by or on behalf of the Bank in which Conflicts 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 Regulated Business service or activity, may arise. The information contained within the register facilitates the effective identification and management of any potential Conflicts of Interest.