

IRE AIFM HUB

## Conflicts of interests policy

**UPDATE**

April 2020

---

<b>Policy Owner</b>	Michel Batter (responsible conducting officer)
<b>Policy Approver</b>	Board of managers

<b>Date of issue</b>	<b>Version</b>	<b>Name</b>	<b>Title</b>
April 2020	1	Michel Batter	Conducting officer

## Table of Contents

Introduction .....	5
Purpose .....	5
I. Role and responsibilities of the conflict of interest function.....	5
II. What is a Conflict of Interest? .....	6
III. General Principles for Conflict Management.....	6
A. Fair and equal treatment and Independence.....	6
B. Disclosure of an interest to a client .....	7
C. Chinese Walls .....	7
D. Declining to act .....	7
E. Inappropriate influences.....	7
F. Independence.....	7
G. Inducements .....	7
H. Personal Account dealing (PA Dealing) .....	7
I. Remuneration .....	8
J. Restricted lists.....	8
K. Segregation of function.....	8
L. Separate Supervision.....	8
IV. Tools Utilized to identify and manage potential conflicts .....	8
A. Chinese Walls / Wall Crossing.....	8
B. Personal Account Transactions (“PA Dealing”).....	9
C. Training and Guidance .....	9
D. Declining to act .....	9
E. Independence .....	10
F. Gifts, entertainment and inducements.....	10
G. Avoiding inappropriate influences .....	10
H. Disclosures.....	10
V. Disclosure requirements.....	10
A. Disclosure obligations of AIFM’s team members .....	10
B. Pre- and post-transaction disclosure to investors .....	11
VI. Resolution of conflicts of interests .....	11
A. Escalation procedure .....	11

B. Arms' length transaction principle .....	11
C. Exclusion of conflicted Persons from decision-making process .....	11
D. Record-keeping.....	11
VII. Keeping a record of conflicts of interest.....	12
VIII. Further information.....	12

## Introduction

This document purports to fulfil the requirements ("the Requirements") of the general provisions of the Article 13 of the Alternative Investment Fund Managers Law dated 12 July 2013 (the "AIFM Law") implementing the Article 14 of the Directive 2011/61/EU of the European Parliament and of the Council dated 8 June 2011 ("AIFM Directive"), the requirements of the general provisions of the Articles 30-36 of the Commission Delegated Regulation (EU) N°231/2013 of 19 December 2012 supplementing AIFM Directive ("CDR").

The present procedure has been approved by the board of managers of IRE AIFM HUB (the "AIFM").

## Purpose

In conformity with the Requirements, the purpose of this conflicts of interests policy (the "Policy") is to ensure that a comprehensive and documented process will be implemented at the level of the AIFM in order to identify, prevent, manage, monitor, and disclose conflicts of interests in order to prevent them from adversely affecting the interests of the alternative investment funds (the "AIFs") under management and their investors.

It is the responsibility of the AIFM's board of managers (the "Board of Managers" or "BOM") and of the AIFM's conducting officer responsible for the compliance function (the "Conducting Officer") to ensure the effective implementation and respect of the Policy.

This Policy is applicable to board members, staff members, external service providers and consultants of the AIFM<sup>1</sup> (hereinafter described as "AIFM's team").

## I. Role and responsibilities of the conflict of interest function

AIFM's team must always be alerted to capturing potential conflicts of interest that may arise in the course of its business. As a business, it must identify and actively manage its conflicts in a responsible way as it owes a duty towards the regulators, to the AIFs under management and their investors. Failure to do so may harm AIFM's reputation in the marketplace amongst clients and the regulators alike and could even lead to regulatory action.

Each member of the team is responsible for:

- Ensuring the implementation of, and implementing this Policy;
- permanently monitoring and regularly assessing the adequacy and effectiveness of any measures, policies and procedures put in place with respect to the AIFM, including as regards this Policy;
- assessing all considered transactions ex-ante, in light of this Policy and other rules applicable to the AIFs, including its articles of associations/partnership agreement and the prospectus;
- Regularly and directly reporting to the BOM in relation to any particular matters and respective remedial measures (if any), including with respect to any conflicts.

There are several ways of managing conflicts and this section will look at the key ways AIFM's team shall do so. It is important to note that disclosure should not be relied upon as method of managing

---

<sup>1</sup> Including delegates, sub delegates, investment advisors, external valuers or counterparties.

conflicts. It should only be used as a last resort after all other pro-active methods have failed to manage the conflicts effectively.

## II. What is a Conflict of Interest?

Conflicts of interest may arise in one form or another in a financial institution such as the AIFM. A responsible approach to identifying and managing conflicts of interest and mitigating the risk of potential damage to the AIFs under management and their investors forms an important element in protecting and enhancing AIFM's reputation.

It is not possible to set out in one policy all the potential conflicts of interest which may arise.

However, broadly speaking, a conflict of interest can be defined as any situation where either a firm or an individual is in a key position to exploit a sensitive situation in a personal or official capacity in some way for either a corporate or personal benefit or in order to avoid a specific loss. A conflict of interest can also arise where there is a potential for personal interests of an individual member of AIFM's team to clash with his or her official duties to AIFM.

A conflict of interest exists even if no unethical or improper act results from it and can create an appearance of impropriety that can undermine confidence in AIFM.

Conflicts can occur in a number of situations that include:

- a) between an AIF or the investors in that AIF, and another AIF or the investors in that AIF, e.g. where two AIFs place orders to buy/sell the same security or are interested in acquiring a stake in the same company;
- b) between an AIF or the investors in that AIF and an individual member of AIFM's team, e.g. where an employee has a personal holding in a security of a company and is involved in executing AIF orders or advising the AIF in relation to the same company;
- c) between the AIFM and AIFM's team, e.g. where an individual member of AIFM's team has an interest in a security, in an AIF or a company in which the AIFM has a position or which is a client of the AIFM.
- d) if an AIFM's team member has an interest in the outcome of a service or an activity provided to the AIFM/AIFs/AIFs' investors or of transaction carried out on behalf of the AIFM/AIFs/AIFs' investors which is distinct from the AIFM/AIFs/AIFs' investors interests in that outcome.
- e) If an AIFM's team member has a financial or other incentive to favor the interest of one AIF's investor over the interest of another AIF's investor (or group of AIF's investors);

## III. General Principles for Conflict Management

In managing conflicts certain principles must be taken into account in order to manage conflicts effectively. These principles must apply at all times and they are listed below as follows:

### A. Fair and equal treatment and Independence

The principle ensures that AIFs under management and their investors are always treated fairly and equally when either servicing them. AIFM's team will always act with independence. In particular, where an individual member of AIFM's team is aware he/she or the firm has a material interest which could influence their dealings with or advice to the AIFs under management and their investors, that

interest must be disregarded and the individual member of AIFM's team must act in the interests of the AIFs under management and their investors. Please refer to section IV.E for further information on Independence.

#### **B. Disclosure of an interest to a client**

AIFM's team is required to identify and manage the conflicts of interests arising in relation to its business under a comprehensive conflicts of interest policy. Disclosure of conflicts of interest will not exempt AIFM's team from the obligation to maintain and operate effective organizational and administrative arrangements. While disclosure of specific conflicts of interest is a requirement, an over-reliance on disclosure without adequate consideration as to how conflicts may be appropriately be managed is not permitted and will not be tolerated. Please refer to section IV.H for further information on disclosure.

#### **C. Chinese Walls**

Effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of conflict of interest where the exchange of information may harm the interests of one or more clients. Please refer to section IV.A for further information on Chinese Walls and how they affect AIFM's team.

#### **D. Declining to act**

Even with appropriate management techniques, there may be some situations where it may not be possible for AIFM/AIFM's team to act on behalf of a client. Please refer to section IV.D for further information on declining to act.

#### **E. Inappropriate influences**

Measures to prevent or limit any individual member of AIFM's team exercising inappropriate influence over the way in which a relevant person carries out services or activities. Please refer to section IV.G for further information on inappropriate influences.

#### **F. Independence**

This requires AIFM's team to act independently in the interests of AIFs under management and their investors ignoring any conflicting interest that may arise between the AIFs under management and their investors, and the firm. Please refer to section IV.E for further information on Independence.

#### **G. Inducements**

This is one of the ways in which AIFM's seeks to ensure that AIFs under management and their investors are treated fairly and that conflicts of interest are identified and managed effectively. Inducements would cover inducements received by AIFM as well as inducements given by AIFM to AIFM's team or to AIFs under management and their investors.

Please refer to section IV.F for further information.

#### **H. Personal Account dealing (PA Dealing)**

This policy imposes certain restrictions, approval procedures and reporting requirements in relation to personal account dealings. Please refer to section IV.B for further information on Personal Account Dealing.

## **I. Remuneration**

The removal of any direct link between the remuneration of individual members of AIFM's team principally engaged in one activity and the remuneration of, or revenues generated by, different individual members of AIFM's team principally engaged in another activity, where a conflict of interest may arise in relation to those activities. Please refer to the AIFM's *Remuneration Policy* for any further information.

## **J. Restricted lists**

Such lists are used to control access to sensitive and/or confidential information by granting access to only certain individual members of AIFM's team that have been pre-approved to be on the distribution list. It shall be noted that only the conducting officers of AIFM shall have unlimited access to AIFM's data and information stored electronically and/or in hard copies.

## **K. Segregation of function**

Measures to prevent or control the simultaneous or sequential involvement of an individual member of AIFM's team in separate services or activities where such involvement may impair the proper management of conflicts of interest. Please refer to AIFM's organizational chart for further information on the segregation of functions within the AIFM.

## **L. Separate Supervision**

The separate supervision of individual members of AIFM's team whose principal functions involve carrying out activities on behalf of or providing services to, AIFs under management and their investors whose interests may conflict, or who otherwise represent different interests that may conflict, including those of AIFM. Please refer to AIFM's organizational chart for further information on separate supervision.

If having read the principles above you do not feel comfortable that a conflict situation has been correctly addressed please report to the compliance officer of the AIFM (the "Compliance Officer") or directly to the BOM for further clarification.

## **IV. Tools Utilized to identify and manage potential conflicts**

### **A. Chinese Walls / Wall Crossing**

Information barriers and conflict clearance procedures help to ensure proper management of certain types of conflicts. The AIFM has therefore established a procedure known as "Chinese Walls", to ensure the integrity of the operations of various business areas and that potential conflicts of interest are properly managed and, AIFs under management and their investors' interests are preserved at all times. The AIFM is committed to restricting information flows within AIFM's Chinese Walls by having effective procedures in place and an effective program to monitor & demonstrate their effectiveness.

It is essential that AIFM's team is aware of the existence of information barriers and the requirements to maintain Chinese Walls. Failure by AIFM's team to maintain Chinese Walls may constitute a breach of regulations and jeopardize the AIFM's reputation and business.

AIFM's team implements these principles, incorporating good practice, to maintain permanent and effective Chinese Walls using physical and non-physical, barriers to prevent improper flows of information between various functions. These include the use of appropriate organizational requirements, proper reporting lines and IT systems.

The use of the Chinese Walls broadly affects the Portfolio Management Function in that any material and information it produces and deals with must remain confidential at all times. Non-physical barriers exist and these include putting policies and procedures in place to ensure separation of functions such as the Gifts and Inducements policy and the use of restricted email distribution lists for issuing portfolio management material.

The AIFM ensures that the Chinese Walls are utilized effectively by:

- Maintaining a register of the persons authorised to receive portfolio management material. This will require regular reviews of the distribution list to ensure that only pre-authorised individual members of AIFM's team receive the material considered;
- Monitoring personal trade activity ("PA Dealing") undertaken by AIFM's team to ensure that prohibited trades are not made.

#### **B. Personal Account Transactions ("PA Dealing")**

The Personal Account dealing policy exists to meet the requirements of the competent regulatory authorities, to protect the AIFM's reputation by managing conflicts and the appearance of conflicts and to promote fair dealing with AIFs under management and their investors. The policy requires AIFM's team to disclose all personal dealing and in some cases to receive prior approval by the Compliance Officer or the BOM for personal transactions.

The AIFM encourages AIFM's team to undertake long-term investment and discourages AIFM's team participation in excessive short-term speculation. AIFM's team should ensure that their main priorities are that of fulfilling professional duties and not focusing on personal investment. AIFM's team should avoid any personal transactions that may place them in conflict with the interests of either AIFs under management and their investors or AIFM itself. If in doubt, advice should be sought from senior management and compliance function. Personal account transactions must NEVER be combined with AIF under management orders.

#### **C. Training and Guidance**

AIFM's team, including new joiners, receive training and guidance on conflicts of interest as part of the AIFM's overall compliance training program, as and when deemed necessary by compliance function.

#### **D. Declining to act**

Due to the nature of the investment business the AIFM is involved in, it is unlikely that situations will arise whereby the conflict is so severe that that even with appropriate management techniques, AIFM's team would have to decline to act on behalf of a client. However, in the event that such a situation arises, where it is deemed that AIFM's team best not act for an AIF under management and their investors, the case should be referred to the Compliance Officer and to the BOM.

## **E. Independence**

AIFM's team is required to act independently at all times and in the interests of the AIFs under management and their investors when carrying out their day to day duties and obligations in the course of investment business.

## **F. Gifts, entertainment and inducements**

The Gifts and Inducements Policy specifically prohibits any individual member of AIFM's team from accepting any personal gifts above a market value of EUR 150 or any personal inducements.

## **G. Avoiding inappropriate influences**

Policies and procedures have been implemented to ensure that AIFM's team involved in the portfolio management and risk management functions do not accept gifts or inducements which may give the perception that the portfolio management and risk management performed or delegated by the AIFM are not impartial.

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 AIFM's team personal interests and the need to serve AIFs under management and their investors in an impartial way are appropriately managed. AIFM's team must obtain approval from the compliance function of the AIFM prior to undertaking personal account.

## **H. Disclosures**

The AIFM may enter into transactions for a given AIF under management and their investors in respect of investments that may at the same time have been performed by another AIF under management and their investors. Chinese Walls and other information barriers will protect and prevent information flows from the AIFs involved in the same investments with the aim that these transactions are executed behind a Chinese Wall and are therefore undertaken unknowingly.

Given that the AIFM neither trades as principal for its own account, nor conducts corporate finance business, it is unlikely that the firm will need to disclose related conflicts of interest. In the abnormal event that such a conflict arises including those arising as a result of personal holdings and outside directorships of any individual member of AIFM's team, the AIFM will make the appropriate disclosure both internally and externally.

## **V. Disclosure requirements**

### **A. Disclosure obligations of AIFM's team members**

General cases of conflicts which involve one of the AIFM's team members, shall be immediately disclosed.

In addition, the above persons are required to:

- (i) strictly comply with this Policy at all times;

(ii) at least annually, and where applicable in case any changes in their situation arise, declare any new situation that may constitute a conflict of interest as per the present Policy, to the AIFM's Compliance Officer.

In the event the Compliance Officer would have knowledge of situations and/or circumstances which may lead to such persons being potentially qualified as conflicted persons, it is entitled to properly inform the BOM in this respect and to do all that is necessary for the purpose of properly applying the Policy.

## **B. Pre- and post-transaction disclosure to investors**

In general terms, conflicts, as well as the general rules to be applied in this respect are disclosed to AIF's investors.

## **VI. Resolution of conflicts of interests**

### **A. Escalation procedure**

Any AIFM's team member being informed of any conflict of interests, including any officer or delegates of the AIFM or service providers, shall immediately refer this information to the Compliance Officer.

The Compliance Officer must always ensure proper application of the Policy and, as the case may be, must escalate any reported or identified conflict of interest to the BOM.

### **B. Arms' length transaction principle**

Under any circumstances, all transactions to be entered into by the AIFM shall be concluded at arm's length. This implies that:

- (i) terms and conditions of any contemplated transaction shall be "market standard" and identical or similar to those of alike transactions;
- (ii) in case the terms and conditions of a contemplated transaction are not "market standard" or identical/similar to those of alike transactions, they shall be duly motivated by the AIFM and properly verified by the Compliance Officer;

### **C. Exclusion of conflicted Persons from decision-making process**

As a rule, any conflicted person, as appreciated on a case-by-case basis and by application of this Policy, may not take part in the decision-making process of the AIFM, as regards the transaction in relation to which the conflict of interest has arisen.

### **D. Record-keeping**

Any record keeping at the AIFM's level, including as regards the monitoring and handling of conflicts of interests, follows a pre-determined set of rules, which are as follows:

- (i) all documents are digitally recorded and/or scanned;
- (ii) all digitally recorded documents are archived on an IT system;
- (iii) the IT system and any information archived thereon are regularly duplicated via a back-up system;
- (iv) physical copies of the documents are kept with the AIFM.

In relation to conflicts, the Compliance Officer is in particular in charge of ensuring that the above rules are complied with at all times.

## **VII. Keeping a record of conflicts of interest**

The Compliance Officer must keep and regularly update a record of the types of activities undertaken by or on behalf of the AIFM in which a conflict of interest entailing a material risk of damage to the interests of one or more AIFs under management or its investors has arisen or, in the case of an ongoing activity, may arise. The record covers at least the following:

- the description of the conflict of interest (whether potential or actual);
- the identification of the person or units concerned by the conflict of interest;
- the date on which the conflict of interest occurred or was discovered;
- the potential or actual impacts of the conflict of interest;
- the description of the envisaged solutions and chosen measures;
- where appropriate, the arrangements for informing investors.

Upon request, the AIFM must submit a copy of the record to the CSSF.

## **VIII. Further information**

Any queries about this policy and its application should be directed to the Compliance officer or to the Board for further advice and assistance.