

# CONFLICT OF INTEREST MANAGEMENT POLICY



BUY & HOLD

GESTIÓN DE ACTIVOS

May 2017

CHANGE MONITORING TABLE

Date	Name	Changes Made	Version
May 2017	Regulatory Compliance	First draft	1

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## 1. INTRODUCTION

### 1.1. PURPOSE OF THE PROCEDURE

This document provides the criteria and procedures that BUY & HOLD CAPITAL, S.G.I.I.C., S.A. (“Buy & Hold” or the “Company”) has prepared in order to implement the measures that should be followed for identifying, preventing and, where applicable, rectifying any conflicts of interest that may arise between the Company and its clients, or between clients to whom Buy & Hold has obligations, and for protecting its clients in relation to the proper management of the incentives policy in place in the Company, in application of the following regulations:

- Royal Legislative Decree 4/2015, of 23 October, approving the revised text of the Spanish Securities Market Act (*Ley del Mercado de Valores*).
- Royal Decree 217/2008, of 15 February, on the Legal Framework for Investment Services Companies and Other Institutions Providing Investment Services, and that partially amends the regulations of Spanish Law 35/2003 of 4 November on Collective Investment Schemes, approved by Royal Decree 1309/2005 of November 4 (*Real Decreto 217/2008, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión y por el que se modifica parcialmente el Reglamento de la Ley 35/2003, de Instituciones de Inversión Colectiva, aprobado por el Real Decreto 1309/2005*).
- Circular 6/2009 of the Spanish National Securities and Exchange Commission, on internal controls of companies that manage collective investment schemes and investment companies.
- Directive 2004/39/EC of the European Parliament and of the Council (Level 1) of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC.
- Directive 2006/73/EC (Level 2), of 10 August 2006, implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.
- Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

The purpose of this policy is to ensure the maximum protection of Buy & Hold’s clients, and it is fundamentally based on identifying, recording, managing, preventing or eliminating any potential conflicts of interest that Buy & Hold or any relevant individuals may generate with regard to its clients or third parties, and in the last instance, on disclosing such conflicts of interest if they cannot be prevented or eliminated.

## 1.2. RESPONSIBILITY FOR PREPARING, APPROVING, MAINTAINING AND UPDATING THE PROCEDURE

The body in charge of preparing this procedure and keeping it up-to-date in accordance with the regulations in effect is the **Regulatory Compliance Unit** (a function delegated to Gabinete de Servicios Empresariales Siglo XXI., S.L.), which works together with the other affected departments for these purposes.

Buy & Hold's **Board of Directors** is in charge of approving this procedure and its subsequent updates.

The ultimate responsibility for maintaining this document, keeping it up-to-date and ensuring correct compliance with it lies with the Company's Board of Directors.

Since this is an open-ended document, it should be updated and modified, at least in the following cases:

- a. If legal or regulatory changes occur that might affect the procedures described here.
- b. If internal changes occur within the Company that might affect the procedures described here.
- c. If, upon a proposal from the Regulatory Compliance Unit, the Board of Directors approves the inclusion of new controls or modifies existing ones.
- d. If so proposed by the directors of the Company's various departments, by its internal or external auditors, or by inspectors from regulatory bodies.

The various versions of this document are indicated in the Control Monitoring Table provided at the beginning of this document.

## 1.3. RECIPIENTS OF THE PROCEDURE

This document is available to all of the Company's employees and directors on the shared server. The Company will update the published version whenever this document is changed or modified, and after it has been approved by the Company's Board of Directors.

Company employees must always be informed of any incidents that occur with regard to compliance with this document and that are reported to the C.E.O., so that they can take the necessary steps to correct the incidents and propose any modifications that should be made to the procedures in place. In any event, they should notify the Regulatory Compliance Unit of any severe situations that have occurred before taking any steps to rectify them.

## 2. SCOPE OF APPLICATION

The scope of application of the Conflicts of Interest Policy includes Buy & Hold, and its directors, managers and employees (referred to as “Relevant Individuals”), and the measures outlined here apply to all types of clients, regardless of the category applicable to them (retail, professional or eligible counterparty).

In this regard, Buy & Hold has been organised and structured in such a way as to detect and prevent the risk that the interests of collective investment schemes (CIS) or clients may be prejudiced by a conflict of interest:

- a. Between Buy & Hold, the CIS it is managing, and the CIS’s investors.
- b. Between Buy & Hold’s managers, employees or Relevant Individuals, or persons with direct or indirect control over Buy & Hold, and Buy & Hold, the CISs it manages or the investors of those CISs.
- c. Between clients.
- d. Between a CIS that Buy & Hold manages or that CIS’s investors, and other Buy & Hold clients.
- e. Between a CIS that Buy & Hold manages or that CIS’s investors, and another CIS managed by the same company or its investors.

More specifically, in accordance with the applicable legislation, Buy & Hold has a written conflict of interest policy in place that is appropriate for the size of its organisation and for the nature, scale and complexity of its activities.

Under this policy, the Company must have effective administrative and organisational procedures for adopting all reasonable measures to detect, prevent, manage and control conflicts of interest, in order to prevent them from harming the interests of the CISs and their investors.

Buy & Hold also keeps a record that is regularly updated, of all of the transactions or activities conducted by the Company or on its behalf, in which a conflict of interest has arisen or may arise.

Buy & Hold guarantees independence and, within its operating scope, it will separate any tasks and responsibilities that may be considered incompatible with each other or that might generate systematic conflicts of interest, evaluating whether the conditions in which it performs its activities may entail any other significant conflicts of interest.

Buy & Hold and its depository must, in exercise of their respective functions, act honestly, equitably, professionally and independently, and only in the interest of the CISs and the CISs’ investors.

The depository may not take any actions with regard to the CISs or, if applicable, the Company acting behalf of the CIS, that may create a conflict of interest between the CIS, its investors, the CIS and the

depository, unless the depository has functionally and hierarchically separated the performance of its functions as the depository from its other potentially conflictive functions, and so long as the potential conflicts of interest have been duly identified, managed, controlled, mitigated and communicated to the CIS's investors.

### **3. IDENTIFICATION OF CONFLICTS OF INTEREST**

Buy & Hold primarily has two channels for managing the identification of conflict of interest:

1. The obligation for individuals subject to the Company's Internal Code of Conduct (Relevant Individuals) to sign a detailed statement of all of the transactions they conducted on their own behalf in the previous month, or a negative statement if they conducted no transactions.

2. The existence of an Supervisory Body, whose primary mission with regard to identifying conflicts of interest is to conduct periodic verifications based on sampling techniques, in order to verify that the Relevant Individuals, when performing their functions:

- a. Must prioritise clients' legitimate interests, preventing them from coming into conflict and complying with the law, exercising the utmost diligence, loyalty, neutrality and discretion.
- b. May not multiply transactions unnecessarily unless this would benefit the clients.
- c. May not favour one client over another if there is a conflict of interest between them.
- d. Strictly comply with and ensure compliance with all other rules derived from any legal or regulatory provisions or any provisions that the Company has adopted on a supplemental basis, and that aim at preventing conflicts of interest or managing them properly.
- e. Must identify the circumstances that lead to or may lead to a conflict of interest that would entail a significant risk of harm to the interests of one or more clients.

#### **3.1 INVESTMENT SERVICES SUSCEPTIBLE TO CREATING CONFLICTS OF INTEREST**

The investment services susceptible to creating conflicts of interest at Buy & Hold are:

- Subscriptions and redemptions on behalf of clients.
- Management of internal CISs.
- Discretionary portfolio management.
- Sales.
- Investment advice.
- Any other service that may create a conflict of interest.

Several generic situations of conflicts of interest are identified below that may arise between Buy & Hold and its clients, or between several clients:

- a) Where Buy & Hold or a Relevant Individual may obtain a financial benefit or prevent a financial loss, to the detriment of one or more clients (regardless of the commissions defined for providing investment services).
- b) Where Buy & Hold or a Relevant Individual has an interest in the outcome of a service provided to a client or a transaction on the client's behalf that is different from the client's interest in the outcome.
- c) Where Buy & Hold or a Relevant Individual has financial incentives or another type of incentive to favour the interests of another client or of one client over another.
- d) Where Buy & Hold or a Relevant Individual receives an incentive from a third party other than the client for a service provided to the client, in the form of money, goods or services, aside from the commission or remuneration paid for the services furnished in normal financial activities.

### **3.2 SPECIFIC RULES FOR CONFLICTS OF INTEREST IN RELATED-PARTY TRANSACTIONS**

Pursuant to Royal Decree 1082/2012, of 13 July, which approved the implementing regulations of Spanish Law 35/2003 of 4 November on Collective Investment Schemes, the following transactions are classified as related-party transactions:

- a) Collecting payment for provision of services to a CIS, except for the services the Company provides to the institution itself and those envisaged in Article 7 of the royal decree.
- b) A CIS obtaining financing or making deposits.
- c) A CIS acquiring securities or instruments that have been issued or secured by one of the parties identified in Article 67.1 of Spanish Law 35/2003, if one of these parties acted as the underwriter, guarantor, director or adviser.
- d) Purchases and sales of securities.
- e) Any transfers or exchanges of business resources, obligations or opportunities conducted between the Company and the depository on one hand, and on the other hand, those acting as administrators or managers in it.
- f) Any exchanges, transactions or provisions of services involving the participation of a CIS and any companies in the Company's economic group, or that of the depository or the open-end investment company (SICAV) or any of the members of their respective boards of directors, or another CIS or estate managed by the Company itself and another manager in the group.

Furthermore, any related-party transactions between a CIS management company that has not appointed another company to manage its assets, and those who hold administrative or managerial posts in the company, must be approved by the Board of Directors in accordance with the following rules if the transactions would represent a significant amount of business for the CIS management company or the CIS that they administer:



- a) The matter must be included on the agenda with due clarity
- b) Any members of the Board of Directors who are classified as related parties under Spanish Law 35/2003, of 4 November, must abstain from voting.
- c) The vote must take place by way of secret ballot.
- d) The resolution must be passed by a two-thirds majority of all of the members, with any abstaining members excluded from the calculation.
- e) Once the vote has been held and the result has been announced, the board members may leave on the record any reservations or objections to the passed resolution.

#### **4. CONFLICT OF INTEREST MANAGEMENT**

Buy & Hold can properly manage any potential conflicts of interest that may arise as it performs its activities. As a general rule, Buy & Hold must work proactively to prevent the conflict of interest situations discussed above, in addition to adopting all appropriate measures and procedures to do this.

- Procedures for preventing or controlling exchanges of information between Relevant Individuals who take part in activities that may entail a risk of a conflict of interest, if the exchange could harm the interests of one or more clients.
- Separate supervision of Relevant Individuals whose main duties consist of acting on behalf of or providing services to customers with different interests that may come into conflict with each other, or of any Relevant Individuals who otherwise represent different interests that may come into conflict with each other, including the company's own interests.
- Eliminating any direct relationships between the remuneration paid to Relevant Individuals who primarily perform an activity and the remuneration or the revenue generated by other Relevant Individuals who primarily perform another activity, if there may be a conflict of interest between the two activities.
- Measures to prevent or restrict the possibility of anyone exercising undue influence over the provision of investment services or auxiliary services by a Relevant Individual.
- Measures to prevent or control simultaneous or consecutive participation by a Relevant Individual in multiple investment services or auxiliary services, if this participation might be to the detriment of the proper conflict of interest management.

Moreover, Buy & Hold also has an external Regulatory Compliance Unit that is independent from the Company. This unit reports directly to the Board of Directors and its functions are outlined in the procedure on Organisation and Good Corporate Governance. Buy & Hold therefore ensures that the various legal obligations affecting it are managed properly, together with the other internal operating procedures included in the Internal Code of Conduct and in the Company's various internal procedures, which include the procedure for managing conflicts of interest.

Buy & Hold also has a body that tracks the Internal Code of Conduct, which is designated by the Board of Directors, to which it reports. This body is responsible for ensuring compliance with the Code of Conduct and for supervising compliance with the regulations in force.

If the organisational and administrative measures that Buy & Hold has put in place to prevent or manage conflicts of interest are not sufficient for ensuring, with reasonable certainty, the prevention of risks that could harm its clients' interests, then in the last instance, Buy & Hold must clearly disclose to the client, in a durable medium, the nature and source of the conflicts of interest, and the measures that have been taken to mitigate the risks, in sufficient detail. Buy & Hold must provide a specific description of any conflicts of interest that may arise from the provision of the service in question, taking into account the nature of the client being notified. The client must grant written consent for the transactions that could be affected by the conflict.

## **5. LOG**

Buy & Hold keeps, and regularly updates, a log with the classes of regulated activities performed by the Company, or on its behalf, where a conflict of interest arose, or for any services or activities in progress where one may arise. This log will be retained in electronic format for at least five years.

The following information must be entered in the log in numerical order and in a clear format that cannot be manipulated:

- a. The identification of the affected parties that have been exposed to the conflict of interest.
- b. The date the conflict of interest arose.
- c. The instruments or services involved in the conflict of interest.
- d. The reason why the conflict of interest arose, and a detailed description of the situation.
- e. A description of how the situation was managed, mitigated or, if possible, rectified.

For greater supervision, the Regulatory Compliance Unit may request to see the log whenever it considers necessary.

In addition to this, Buy & Hold will also keep another series of logs on the obligations specified in the Internal Code of Conduct. The bodies overseeing compliance with the Internal Code of Conduct will be responsible for keeping these logs, and they must be retained in electronic format for at least five years.

- Log of individuals subject to the Internal Code of Conduct.
- Log of personal transactions.
- Log of restricted securities and initiated individuals.
- Log of related-party transactions.

