

Purpose and scope of the policy

As required by the Markets in Financial Instruments Directive 2014/65/EU (MiFID II), and the Financial Conduct Authority (FCA), AJ Bell Group maintains and operates effective organisational and administrative arrangements, taking all appropriate steps to prevent a conflict from adversely affecting the interests of its customers. In order to support a consistent approach, the firm has put in place a formal conflicts of interest policy to ensure that the interests of its customers are protected.

The FCA considers the identification and management of conflicts of interest to be of utmost importance to the integrity and effective management of a firm, with one of the FCA principles for business focusing on this: *“A firm must manage conflicts of interest fairly, both between itself and its customers, and between a customer and another client”*.

Conflicts of interest are described by the FCA as: *“cases where there is a conflict between the interests of the firm or certain persons connected to the firm or the firm’s group and the duty the firm owes to a client; or between the differing interests of two or more of its clients, to whom the firm owes in each case a duty”* (SYSC 10.1.5G).

For AJ Bell, this means that all reasonable steps should be taken to identify and manage:

- a conflict between the interests of AJ Bell Group, including managers, employees or any person directly or indirectly linked to the firm and a customer; or
- a conflict of interest between two or more customers.

All AJ Bell Group staff members are required to comply with the requirements of this policy. Failure to comply may lead to disciplinary action.

Regulatory requirement

This policy is written in compliance with FCA rules and guidance, specifically those in SYSC 10.

Requirements of the policy

AJ Bell Group conflicts of interest policy

The firm will identify circumstances which may give rise to conflicts of interest and potential conflicts of interest, and will establish and maintain appropriate mechanisms and systems to manage those conflicts.

If the arrangements made by the firm are not sufficient to prevent the risk of damage to the interests of a customer, the firm will disclose the nature and source of the conflict – and the steps taken to mitigate any risks – to the customer before undertaking business for the customer. The disclosure will be made in a durable medium, and will include sufficient detail to enable the customer to make an informed decision with regard to the service offered. In the event of a situation whereby AJ Bell was unable to effectively prevent the damage to the interests of the customer by disclosing the conflict of interest, the firm may consider declining to act for the customer.

Identifying conflicts of interest

In the course of business, conflicts of interest that may arise could include:

- making a financial gain or avoiding a financial loss at the expense of the firm’s customers;
- AJ Bell Group holding an interest in the outcome of a service provided to a customer, or a transaction carried out on behalf of a customer, which is different from the customer’s interest in the outcome;
- accepting gifts, hospitality, or an inducement which would be considered to have an effect on the integrity of employees and conflict with the interests of customers;
- the use of confidential customer or business information in a way which would be detrimental to the interests of our customers;
- ineffective segregation of duties within business areas which leads to a conflict of interests between business areas and customers;

- the AJ Bell remuneration structure encouraging employees to behave in a manner which would be detrimental to the interests of customers;
- employees entering into employment or personal interests outside of AJ Bell which conflict with the interests of the firm or its customers; or
- conflicts arising when promoting AJ Bell's own products.

AJ Bell maintains a 'Conflicts of interest register' which details the business activities that may give rise to a conflict of interest and the controls in place to manage these risks.

Managing conflicts of interest

AJ Bell management is required by the FCA to establish and maintain effective procedures to identify potential conflicts and to prevent them from creating the risk of damage to customers' interests. The systems and controls AJ Bell has implemented to manage these conflicts are summarised below, however this is not an exhaustive list. The controls are considered to be appropriate to effectively manage any potential conflicts and ensure that the risk to the interest of customers is mitigated.

Policies and procedures

AJ Bell has established robust policies and procedures to manage any potential conflicts of interests. The embedding of these procedures is the responsibility of senior management, and is communicated to employees via the policy and individual training. Processes are subject to regular review by QA and the Compliance Monitoring Team in accordance with the 'Risk monitoring plan'.

Information security

A conflict may arise where information received in the course of business is disclosed or used inappropriately.

AJ Bell is committed to ensuring the confidentiality, integrity and availability of its information and business systems are maintained and controlled in line with the requirements of the 'Group information security policy'.

Personal account dealing

All AJ Bell employees are subject to the 'AJ Bell Group personal account dealing policy'. The policy prohibits all staff from engaging in activities that may give rise to a conflict of interest or that may amount to market abuse.

Order execution

The processing of orders is subject to the 'AJ Bell order execution policy', which aims to manage any potential conflicts and ensure that transactions are processed in order to achieve the best possible outcome with consideration of the different execution factors. The policy specifies that customer orders may be aggregated only if the aggregation is unlikely to disadvantage the order of any customer whose order is to be aggregated.

Remuneration

The AJ Bell remuneration structure includes measures to avoid conflicts of interest between the firm, employees and customers. Remuneration is structured to meet the principles of the FCA's Remuneration Code, taking into account the scale, activities and risk profile of AJ Bell Group's business. This includes a consideration of the products offered, the associated fees and the performance of each product. In setting fixed remuneration and the structures of discretionary bonus schemes, the firm seeks to ensure that the remuneration structure is consistent with the group risk management framework and risk appetite statement. AJ Bell Group has a Remuneration Committee to ensure that the remuneration structure is fair and reviewed regularly.

Inducements, Gifts and Hospitality

A conflict of interest could arise where the firm provides or receives a gift, hospitality or an inducement in the form of fees and commissions. AJ Bell Group employees are subject to the requirements of the 'Gifts, entertainment and hospitality policy' and must not accept or provide any gifts, hospitality or an inducement unless it is compliant with the FCA requirements, does not give rise to a conflict, and is agreed to by management and Compliance.

Director conflicts

Under the Companies Act 2006, directors – both executive and non-executive – of AJ Bell Group are required to avoid situations in which they have, or could have, an interest that conflicts, or possibly may conflict, with the interests of the firm. This applies in particular to an interest in any property, information or opportunity. In order to comply with this, directors are required to disclose any potential conflicts of interest, to include the nature and extent of any interests that they have in any existing or proposed transactions or arrangements with the firm.

External employment and personal interests

AJ Bell employees may have an outside business interest, employment, directorship or significant shareholding with an entity whose interests conflict with their role at AJ Bell, its business interests and the interests of its customers. AJ Bell employees are required to disclose any paid employment outside the firm and to apply for permission from the director of their business area prior to taking up external appointments. This is detailed in the 'Employee handbook' and allows the firm to manage any potential conflicts before they arise.

Segregation of duties

A conflict of interest may occur where business areas with differing purposes are not managed appropriately. In order to mitigate this risk, AJ Bell has identified areas where potential conflicts may arise and business areas are segregated by duties and subject to independent management.

Development of products

A conflict may arise where the development of a new product is not in line with the current strategy or target market, and may adversely affect the end customer. This is managed via a consumer outcomes assessment performed at the development stage for each new product or business development.

Promotion of AJ Bell products

A conflict of interest may arise between the interests of AJ Bell and that of its customers if AJ Bell was to develop a product bias in promoting its own products. Any material used in the promotion of AJ Bell's own product is subject to a robust review process by business areas and Compliance to ensure that this is managed.

Training

A conflict of interest may arise where AJ Bell staff members receive training from third-party providers. AJ Bell Group employees may only accept training which is relevant to AJ Bell products and services, or which relates to structured professional development.

Third party relationships

A conflict may arise due to the need to achieve value for money with third-party providers, and the best interests of the customers. This is managed with a robust due diligence and third-party selection process.

AJ Bell Investments – fund management

A conflict may arise where, in seeking to maximize investment returns, the fund manager may exceed the risk tolerance levels or the stated objectives of the fund. AJ Bell has clear objectives and an investment policy for each fund, managed by an Investment Committee.

AJ Bell Investments – Favourite Funds List and Investment Trust Select List

A conflict may arise in the selection of investments included on our favourite funds or investment trust lists. The investments included in these lists are all subject to a standard investment research process, and subject to challenge via a robust investment governance process.

AJ Bell Investments - holdings in AJ Bell plc

A conflict may arise where AJBAM products have a holding in either shares in AJ Bell plc or securities which in turn have holdings in AJ Bell plc. AJ Bell has a policy which covers the holding of AJ Bell plc shares; this includes a restriction on any direct holdings. This policy forms appendix 1 to the 'AJ Bell Group conflicts policy'. Any indirect holdings in AJ Bell plc are reviewed and monitored on a regular basis.

Dealing in shares of AJ Bell plc

A conflict of interest may arise where employees are dealing in shares of AJ Bell plc. Members of staff and connected persons are subject to strict internal requirements when dealing in shares of AJ Bell plc; these are detailed in the AJ Bell PAD policy.

Access to personal or associate information

A conflict may arise where a member of staff has access to a system which includes data about themselves, a family member, or an associate. This is managed via Information Technology controls. Additionally, members of staff are not permitted to edit information on a personal AJ Bell account, or access information on family members or associates, unless this is required for business purposes.

Monitoring

Adherence to the policy will be reviewed by the Compliance Monitoring Team on a periodic basis.

Breaching the policy

Any members of staff who fail to comply with the requirements within this policy may be subject to further action.

Ownership and review of the policy

This policy, and the 'Conflicts of interest register', are owned by the Chief Risk Officer. They are reviewed as often as necessary, and at least on an annual basis, and changes are circulated to the AJ Bell Group management body.

Document control

Version	Date	Author	Reason	Signed off
1.1	August 2011	Mike Collinson	Policy written	MC
1.2	September 2013	Mike Collinson	Annual review	MC
1.3	January 2015	Mike Collinson	Annual review	MC
1.4	August 2017	Jo Birkett	Annual review	LP (CRO)
1.5	January 2018	Jo Birkett	MiFID II amendments	LP (CRO)
1.6	January 2020	Jo Birkett	Annual review, post-monitoring review updates	LP (CRO)

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