

# SANTANDER LONDON BRANCH “SLB” EXTERNAL CONFLICTS OF INTEREST POLICY



“This policy sets out the approach to be taken by SLB in relation to Conflicts of Interest in order to identify ,prevent or manage conflicts of interest and mitigate the potential impact of those risks as far as possible in accordance with Article 23 MiFID II 2014/65/EU”

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### DEFINITION AND SCOPE

#### 1.1 Definition of a Conflict of Interest

A situation in which, in the course of conducting an activity or providing a service, the interests of the Bank and/or of its clients and/or of its employees compete, either directly or indirectly. This definition applies to actual, potential and/ or perceived conflicts of interest. Conflicts of interest that are not prevented or managed appropriately can adversely affect the interests of clients. An “interest” is the source of a benefit of any kind, whether tangible or intangible, professional, commercial, financial or personal.

SLB must take all appropriate steps to identify conflicts of interest between Santander, including its employees, and a client or between one client and another client that arise or may arise in the course of providing a service. In order to identify the situations that could give rise to conflicts of interest SLB undertakes a holistic review of the business, looking within and across business lines, across and within Public and Private side businesses, including non-investment activities and also considering the activities and structure of its wider group.

All employees are expected to escalate to Compliance without delay where a conflict is identified which cannot be prevented or where the mitigation is not sufficient not to cause detriment to a client, employee or the Bank’s interests.

#### 1.2 Managing Conflicts of Interest

##### a. Information Barriers

MiFID II Article 16(3) states that “a firm shall maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest as defined in Article 23 from adversely affecting the interests of its clients.”

The principal way in which SLB structures its business to manage conflicts of interest is through the maintenance of Information Barriers in accordance with our Information Barriers policy, and the operation of the “Need to Know” policy.

## **b. Segregation**

Within SLB there is clear, transparent and appropriate governance and segregation of duties, particularly between the Public and Private side businesses as well as certain business and infrastructure functions to allow for the independent running of businesses and infrastructure functions.

Specific duties are outlined in the role profiles and job descriptions along with information relating to reporting lines. For front office staff, the Business Mandate for each business area outlines the specific activities that the business is permitted to carry out. These defined arrangements segregate the different duties within the firm which prevent conflicts of interest arising.

Persons engaged in control functions should be independent from the business units they oversee, have appropriate authority, and their compensation should be independent of the performance of the business areas they control.

There are also a number of other considerations relating to the ring fencing model which must be observed.

## **c. Inducements**

According to Article 24(9) of MiFID II, SLB is only permitted to pay, or be paid, an inducement (in connection with the provision of an investment service or ancillary service where the relevant payment:

- is designed to enhance the quality of the relevant service to a client; and
- does not impair compliance with Santander's duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

## **d. Investment Research**

The MiFID II definition of Investment Research applies to independent investment research, advisory services provided by front office sales and/ or trading, materials or services that could inform an investment strategy, adding value to an investment decision, either explicitly or implicitly, and covers one or several financial instruments, issuers of financial instruments, assets or related market sectors.

Inducements received by SLB providing investment research from any third party should only be acceptable when they are provided in accordance with requirements set out in the SLB internal policies.

## **e. Gifts & Hospitality**

The Bank does not permit the offering or acceptance of gifts or entertainment by an employee unless they are reasonable, proportionate and for a legitimate business purpose.

Where applicable, in-scope employees must obtain pre-approval for gifts and entertainment and approval will not be granted by the Bank where they give rise to a potential conflict of interest or are inappropriate in nature.

## **f. Outside Business Interests**

The Bank has in place policies and procedures to ensure that conflicts of interest arising from such activities are identified, managed or avoided. This includes the imposition of disclosure and approval requirements and the prohibition of those activities that give rise to conflicts of interest which must be complied with by all in-scope employees.

### **g. Personal Account Dealing**

SLB's Personal Account Dealing Policy requires all in-scope employees to disclose their trading accounts and obtain prior approval for personal account trading requests.

### **h. Declining to Act for a Client or Disclosure to a Client**

If arrangements made by SLB to prevent and / or manage conflicts are not sufficient to ensure with reasonable confidence, that risks of damage to the interests of a client will be prevented, the matter should be escalated to the appropriate private side or public side Compliance team and Business Head **immediately** in order to assess next steps. Where a conflict cannot be managed in these instances, there are two options::

- Declining to act for the client Disclosure – SLB clearly disclose the general nature and/or sources of conflicts of interest to the client before undertaking business for the client.

**All possible steps to prevent or manages the conflict must be taken, and disclosure is to be used only as a last resort.**

### **i. Conflicts of Interest (Col) Matrix**

Each desk/business area is required to implement and maintain a Conflicts of Interest matrix ("Col matrix") which sets out the potential, actual and perceived conflicts across their business and the 1st and 2nd line controls which identify and prevent or manage these risks.

Each Col matrix must be updated and maintained on an ongoing basis. The Col matrix must be updated when

- new products or services are being offered by that business area;
- new conflicts arise/are identified which have not been included in the matrix;
- controls need to be changed/updated/added

### **j. Conduct Risk Forum**

The Conflicts of Interest Forum assesses and reviews periodically, at least annually, the Conflict of Interest Policy and Col matrix, and reports to senior management any conflicts or deficiencies that have been identified, and changes to the Col matrix/Policy.

The Conduct Risk Forum also provides general oversight over conflict management activities at the Bank prescribed under the COI Framework and is required to regularly report on such matters to the Management Board.