

CONFLICTS OF INTEREST CODE

CIMD GROUP

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I.- INTRODUCTION

The current normative of the governing legislation MiFID (Directive 2004/39/EC of the European Parliament and of the Commission of 21 April 2004, Commission Regulation 1287/2006 of 10 August 2006 and Commission Directive 2006/73/EC 10 August 2006 and national legislation Law 47/2007 amending the LMV and Decree 217/2008 regulating the legal framework of Investment Services Companies, invokes that investment firms must define and implement appropriate policies and procedures to ensure that the company, including the senior management, staff and agents, all comply with their obligations under the securities market regulations.

Accordingly, appropriate administrative and organisational procedures must be in place in order to prevent any potential conflicts of interest which may pose a risk of harm to its clients. They shall also lay down mechanisms for the control of all operations carried out on a personal trading account by members of their administrative bodies, employees, agents and other persons linked to the company where such transactions may involve conflicts of interest.

II.- PURPOSE

This document serves a dual purpose. First, to determine the existence of any potential conflicts of interest that any of the companies of the CIMD group may incur in the natural course of their daily activities, a **detection**; and second, the application of an established **Conflicts of Interest Policy** to counteract any potential conflicts of interest in the event of the detection of such.

Necessarily, the second subparagraph of Article 70 subsection 1 of the LMV invokes that in order for there to be a conflict of interest "*it shall not be deemed sufficient for the company to be able to realise a profit in the absence of corollary harm to a customer; or that a client is able to realise a profit or to avoid a loss, in the absence of the possibility of a corollary loss.*"

III. DEFINITIONS

In order to define the activities that may be the subject matter of a conflict of interests, the various concepts that determine whether or not a potential conflict of interest may arise must be defined. Below are summarised the following possibilities:

Conflict of interest. In order for the provision of an investment or ancillary service to be considered to be incurring a real or potential conflict of interests, it is necessary that the party providing the service, or a client of that party, obtain a profit and which in turn, would impose a risk of harm to the interests of a client.

Personal operations. A transaction of any kind on a financial instrument giving rise to one of the following circumstances:

- a) The executing party is acting outside the scope of his duties.
- b) The transaction is executed by:
 - A member of staff.
 - A third party with whom the member of staff has a kin relationship or other close ties.

- A person whose relationship with the executing member of staff is such that the latter has a significant direct or indirect interest in the outcome of the transaction (the mere collection of fees or commissions accrued for execution shall not be understood as such).

Executing member of staff. This shall mean a competent person of the staff interacting with an investment company in respect of the following:

- a) An administrator, partner or equivalent person, manager or agent linked to the company.
- b) An administrator, partner or equivalent person, or a manager of an agent linked to the company.
- c) An employee of the company or an agent linked to the company, as well as any other person whose services are made available and are under the control of the company or an agent linked to the company, and who participates in the execution of services and investment activities, by the company
- d) A person who is directly involved in the provision of services to the investment company or its related agent under an outsourcing agreement for the provision of services and activities by the investment company.

Kin relationship. A person who has a kin relationship with a competent member of staff shall be understood as any of the following:

- a) The spouse, partner or equivalent of the person as determined by national law.
- b) The son or stepson dependent on the person.
- c) Any other family member of the person who has shared his home for at least one year immediately prior to the date of the operation under consideration.

Close link. This shall mean any two or more legal persons united by:

- a) Whether by direct or indirect means, or through a proxy, 20% or more of the voting rights or capital of a company.
- b) A proxy between a parent company and a subsidiary by which it is constituted as a decision-making unit. In particular, where one (dominant) company faces the other (dependent) in one of the following situations:
 - Ownership of a majority of voting rights.
 - Executive power to appoint or dismiss members of the administrative body.
 - Ownership of a majority of voting rights for agreements with other partners.
 - Having appointed the majority of the members of the administrative body with such voting rights.

Investment report. This shall mean financial reports and analyses or other forms of general recommendations concerning transactions on financial instruments.

This shall include any information which, without prior knowledge of the personal circumstances of the recipient, may recommend or propose an investment strategy on investment instruments

or on their issuers, provided that the information is intended for distribution channels or the general public, and:

- The investment report is classified as such or with a similar term.
- It does not constitute or contain explicit investment advice when produced or directed specifically for a particular client,

Related financial instrument. Any investment instrument whose price is directly affected by changes in the price of the deemed financial instrument.

IV.- CONFLICTS OF INTEREST

1.- CRITERIA FOR DETECTION

For the purposes of establishing the possible exposures which may give rise to conflicts of interest, the minimum criteria necessary for consideration shall be, if the company, or competent person or another person directly or indirectly linked through a controlling relationship, is found to be in one of the following situations:

- a) The company or person concerned may obtain a financial benefit or avoid a financial loss at the expense of the client.
- b) The existence of an interest derived from the execution of the service provided or the transaction carried out on request of the client, other than for the sole interest of the client.
- c) Financial or other incentives in benefit of the interests of third-party clients, counterproductive to the interests of the deemed client.
- d) The professional activity is identical to that of the client.
- e) Third party incentive in relation to the service provided to the customer, in the form of money, goods or services, other than the usual commission or remuneration for the deemed service.

Taking into account the above considerations, and the activities that each of the CIMD Group companies whose activity is directly related to financial markets may generate under the course of real and potential daily business, any possible conflicts of interest can be structured into one three general situations:

- With group companies: possible conflicts of interest are determined by:
 1. The conflict of interests between clients pertaining to different companies within the Group.
 2. The flow and use of information between companies within the group of customer information.
- Customers: conflicts between two or more customers pertaining to the same company.
- Competent persons: conflicts that may arise between customers and competent persons pertaining to the same company.

2.- CATALOGUE OF POSSIBLE CONFLICTS OF INTEREST

Based on the criteria set out in point 1 above, the possible conflicts of interest that the CIMD Group may incur are defined as follows:

1. Use of privileged information. This type of action can generate conflicts of interest from a threefold perspective:
 - a. Use of information by a competent person for his own benefit.
 - b. Use of information by a competent person for the benefit of a CIMD Group company.
 - c. Use of information by a competent person for the benefit of one client, and concomitantly causing harm to the interests of another.
2. Actions of competent persons involving executions with respect to a client's order, either for a personal trading account or on behalf of the company, between the time a client gives an order and its execution thereof, that is, commonly referred to as *front running*.
3. Assign an arbitrary priority to order execution for clients.
4. Transfer of assets between CII portfolios managed by Intermoney Management, SGIIC, SA. This potential conflict lies within the scope of *linked operations*.
5. Between companies of the Group; the competent person acting as proxy between Intermoney Valores, SV and SA and Intermoney Gestión, SGIIC, SA with respect to the changes that the latter exercises on the portfolios of the CCI that it manages, through execution via the former. This potential conflict also lies within the scope of *linked operations*.
6. Operations with CIMD, SV clients for which IMV, SV, SA is proposed as counterparty, leading to a detriment to the interests of the client and a benefit for one of the two companies of the Group.
7. Operations with clients of CIMD, SV for which CIMD (Dubai) Ltd. is proposed as counterparty, leading to a detriment to the interests of the client and a benefit for one of the two companies of the Group.
8. Operations with clients of CIMD (Dubai) Ltd. for which either CIMD, SV or IMV, SV, SA is proposed as counterparty, leading to a detriment to the interests of the client and a benefit for one of the two companies of the Group.
9. Obtaining incentives in benefit of third-party clients, counterproductive to the interests of the client for whom the investment service is provided.

V.- CONFLICT OF INTEREST POLICY

1. Purpose

The Conflicts of Interest Policy developed by the CIMD Group reflected herein, is intended to **detect** any potential conflicts of interest and, as such, to **establish, maintain** and **implement** effective measures to prevent such conflicts from harming the interests of the Group's clients.

2. MEASURES: active policies

1.- The Department of Control and Compliance has identified the activities and services that may potentially generate conflicts of interest. These activities are set out in point IV of this document.

2.- In order to prevent such conflicts, or any that may be identified thereafter, from harming the interests of one or more clients in benefit of any of the companies of the Group or its competent persons, the following measures have been adopted:

➤ **Creation of separate areas**

The CIMD Group, in order to avoid the flow of privileged information between different areas of activity so as to ensure that each, *independently* bases its decisions on knowledge found exclusively within its predetermined scope of securities involvement, and further, to avoid the possibility of any conflicts of interest, has established "Separate Areas" of activity within each of the companies subject to the rules of the Securities Market, or the group to which it belongs. In particular, the departments that carry out proprietary portfolio management, customer portfolio management, investment advice and analysis activity, have been constituted as Separate Areas.

In consequence, the CIMD Group has established the Separate Areas which it considers most appropriate in compliance of the above, as well as in compliance of the specific rules governing the flow of information within entities in prevention of the flow of information between separate areas of activity, and will inform the employees and competent persons to the extent in which they will be affected by the application of these measures.

The Separate Areas established by the Group are as follows:

- Physical separation between each of the subject companies, maintaining the strict access of staff exclusively to the areas in which they carry out their defined activity.
- Intermoney Values, SV, SA is structured such that there is a physical separation between the following areas:
 - Proprietary portfolio.
 - Distribution; the area that provides intermediary services on behalf of customers and of third parties.
 - Market analysis.
 - Portfolio management.
 - Management and back office.
- CIMD, SV, SA maintains a strict segregation of the area that undertakes its administrative activity.
- Intermoney Management, SGIIC, SA is physically divided into two departments: *Investment Department* and *Department of Administration and Back Office*, with a physical separation lying between the two. Further, the control is carried out by the Group's Control Unit.

➤ ***Other barriers***

In order to strengthen the independence of each of the various activities carried out under the separation of areas as indicated, in furtherance, the Group has adopted additional measures:

- a) Creation of appropriate information barriers between each separate area and the rest of the organisation, and between each of the separate areas themselves.
- b) Creation of an investment decision system that ensures that all such decisions are independently adopted exclusively within the appropriate separate area.
- c) Existence of an updated register of securities and financial instruments on which privileged information may be available, and a list of competent persons who may they have had access to such information, with the corresponding dates of access.

➤ ***Linked operations***

Accordingly, a procedure defining the notification, authorisation, control and publication of such operations is established in the Code of Procedures and Control of Intermoney Management, SGIIC, SA , precisely to detect and avoid any possible conflicts of interest.

Other transactions with this same consideration include those carried out among other companies of the group within the scope of financial market activity such as those between by IM Valores, SV and between either CIMD, SV or CIMD (Dubai) Ltd., and those between CIMD, SV and CIMD (Dubai) Ltd.

➤ ***Circulation of internal regulations***

Each competent person within the Group subordinate to the governance of the rules of conduct as established in Law 24/1988 of 28 July, has received all copies of the following internal documents, with registry of the receipt and acknowledgement of the understanding and acceptance of the codes:

- Internal Regulations of Conduct of the CIMD Group.
- Code on Market Abuse; including guidance on market abuse practices and policies established by the CIMD Group for their detection and prevention.
- The CIMD Group, under the mechanism of its Control Unit and from within the Compliance area, will inform each competent person whom, according to their activity, is subject to the governance of the rules of conduct of the Securities Market and of any recent documentation or modifications, pertaining to the guidelines and rules that govern their actions.

➤ ***Strict prohibitions and further rules***

- a) A register shall be drawn which shall contain under the heading "**List of linked and competent persons**" in Annex I, a list of all of persons either directly or indirectly linked to the CIMD Group.

- b) Where a competent person of any of the companies of the Group, upon receipt of an order on investment or ancillary services, detects the existence or potential existence of a conflict of interest that may reasonably undermine the client's interests, **he/she shall not be permitted to execute** the order unless the client has specific prior knowledge of the circumstances and gives his express consent to the execution.
- c) Customer orders on activities and services will be executed in strict order of entry.
- d) The exchange of information between competent persons engaged in activities that involve a risk of conflict of interest is prohibited where such exchange may be detrimental to the interests of one or more clients.
- e) A separate supervision shall be established, overseeing the duties of competent persons whose roles centre around the performance of services on behalf of, or in benefit of clients with conflicting interests, or whom are seen to be representing different interests from which a conflict may arise.
- f) The rules set out in the CIMD Group's **Market Abuse** code will be taken into account and applied to prevent the handling of insider information from generating any conflict of interest.
- g) There will be a strict supervision of the remuneration and incentive policy as carried out by each of the Group's companies, to avoid any conflicts of interest.
- h) No competent person in the Group may perform investment or ancillary services or activities where he/she is subject to a compromising influence from any other person.
- i) No competent person of the Group may participate simultaneously or consecutively in various investment or ancillary services or activities where this may be detrimental to the interests of clients.
- j) Each of the Group's companies, under the supervision of the Department of Control - Compliance will record and maintain an updated a register of the services and activities carried out either by or on behalf of the company, in which a conflict of interest has arisen resulting in a significant risk of harm to the interests of one or more customers. This register shall contain the information described under "**Registration of Conflicts of Interest**" in Annex II.
- k) No competent person may misuse the information they have at their disposal in relation to pending orders from their clients.
- l) The Group's Internal Rules of Conduct shall include all of the above criteria having been adapted to current regulations. This code shall be disclosed to every competent person of the Group, all of whom being subject to compliance.

3.- Where any of the Group's companies prepares or commissions the preparation of investment reports, intended for circulation or that may be circulated, to the Group's clients or to the general public under their own domain or under that of the companies in the Group, they shall be endorsed by the Group financial analysts involved in their preparation and by the competent persons whose professional responsibilities or interests may enter into conflict with the interests of the persons to whom the reports are addressed, in compliance with those considerations as set out in paragraph 2 above.

4.- In addition, financial analysts and competent persons related to investment reports shall be subject to compliance under the following rules:

- a) They shall not carry out personal transactions in relation to the financial instruments detailed in the investment report or any other related financial instrument, if they possess knowledge prior to the date of circulation of its content, without the content having been disclosed initially to clients or the general public, and not being easily inferred from the available information.
- b) They shall not conduct personal transactions contrary to the recommendations contained within, except with the prior written approval of a member of the legal service or control.
- c) They shall not accept incentives from any person who has an interest in the subject matter of the report in question and shall not commit to the elaboration of reports in any way beneficial to the issuers of financial instruments contained within.

ANNEX I

LIST OF LINKED AND COMPETENT PERSONS

In order to avoid, as far as practicable, the provision of investment services or activities which may involve conflicts of interest, a register shall be drawn up containing all undertakings and persons directly or indirectly linked to: INTERMONEY VALORES SV, SA; CIMD, SV, SA; Intermoney Securitisation, SGFT, SA and Intermoney Management, SGIIC, SA. Thus, under the heading "**List of linked and competent persons**" a list shall be transparent and available with the following information:

- Identification: name or registered name, national identification number or registered number of the person or legal entity that is linked to CIMD, SV, SA.
- Type of relation: indicating whether it is a related person (exercises control over CIMD, SV, SA through a shareholding, or competent person (partners, administrators, employees and any other person whose services are available and under the control of CIMD, SV, SA).
- Degree: in the case of a shareholding, the percentage of the participating capital will be denoted.

ANNEX II

REGISTRATION OF CONFLICTS OF INTEREST

The "**Conflict of Interest Register**" will be on a computerised information file and shall compile investment, ancillary services or investment activities as carried out by Intermoney Valores, S.V., S.A; CIMD, SV, SA; Intermoney Securitisation, SGFT, SA and Intermoney Management, SGIC, SA or a third party in which a conflict of interest has arisen and which has resulted in a significant risk to the detriment of the interests of one or more clients.

This record shall contain the following fields:

- Date and time
- Conflicting order: the conflicting order(s) will be specified.
- Conflict Identification.
- Communication to the client of the existence of the conflict if it was detected before executing the order, or orders.
- Execution consent: denoting if there has been any communication with the client of the possible conflict and whether or not express consent has been received from the client to execute the operation.