

## Introduction

This is the Conflicts of Interest policy (the “Policy”) for BMO Capital Markets Limited and its representative offices and branches and Bank of Montreal, London Branch, together (“BMO Capital Markets, London”). The purpose of this Policy is to ensure that all appropriate steps are taken to identify and prevent or manage conflicts of interest.

## Policy Objectives

It is widely recognised that actual or potential conflicts of interest are inherent to financial services groups such as BMO Capital Markets, London. Under MiFID II and the corresponding FCA Handbook requirements, BMO Capital Markets, London is required to maintain and operate effective organisational and administrative arrangements with a view to taking all appropriate steps to identify, monitor, prevent and manage conflicts of interest.

## What is a conflict of interest?

A conflict of interest is a set of circumstances which creates a risk that a decision, action or inaction may not be taken impartially and where this may damage the interests of a client. A conflict exists when BMO Capital Markets, London, its affiliates or any member of staff stands to benefit to the disadvantage of a client or where a client stands to benefit to the disadvantage of another client. Clients may include existing or potential clients.

A conflict can be actual, potential or apparent:

- An **actual** conflict of interest exists where the scenario gives rise to a current risk of damage to the interests of a client.
- A **potential** conflict of interest exists where the scenario indicates a possible conflict may arise but at the present time it has not developed into an actual conflict yet.
- An **apparent** conflict of interest exists where the perception of an outsider, with incomplete or inaccurate information, views BMO Capital Markets London, its affiliates or its staff as affected and subject to a conflict of interest.

## Identifying conflicts of interest

A conflict of interest can arise in the following circumstances:

- Personal conflicts: between the interests of staff, clients or BMO Capital Markets, London or its affiliates
- Conflicts between clients: differing interests of two or more clients of BMO Capital Markets, London
- Conflicts between the firm and the client: interests of BMO Capital Markets, London or its affiliates and the client's interests
- Conflicts between our business divisions: interests of a client of separate business divisions or legal entities

The types of situations where BMO Capital Markets, London could potentially or actually face a conflict of interest include where we, our affiliates, or a member of staff:

- make a financial gain or avoid a financial loss at the expense of a client;
- have an interest in the outcome of a service provided to, or transaction carried out on behalf of, a client that is different from the client's interest in that outcome;
- have a financial or other incentive to favour the interest of one client or group of clients over the interests of another client;
- carry on the same business as the client; and/or

- receive or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.

In short a conflict of interest is a situation where there may be competing professional and/or personal interests.

If conflicts of interest are not managed correctly they can create the appearance of impropriety even if no unethical act takes place and this can undermine confidence in the staff and/or in BMO Capital Markets, London.

### **Dealing with Conflicts**

The following steps are necessary when dealing with conflicts:

- all appropriate steps must be taken to identify and to prevent or manage conflicts of interest;
- systems and controls must be in place to prevent as well as manage conflicts of interest; and
- where internal organisational arrangements are not sufficient to prevent or manage conflicts from adversely affecting the Bank's clients' interests, and only as a last resort, an enhanced disclosure of the below must be made before undertaking any business on the client's behalf:
  - the conflict of interest;
  - the risks to the client; and
  - the steps taken to mitigate the risks (please see below for more detail).

### **Preventing and Managing Conflicts of Interest**

Conflicts of interest under this Policy may be prevented or managed by using any of, or any combination of, the following procedures or measures:

- *Information barriers* – internal arrangements such as Chinese walls or physical barriers to restrict the flows of information between different areas or people such as to segregate information between the “public” and “private” business areas
- *Supervision* – the separate supervision of persons whose functions may involve carrying out activities for clients that may conflict with other clients
- *Influence* – measures to prevent persons from exercising inappropriate influence over decisions or activities
- *Activities* – measures to prevent or control the simultaneous or sequential involvement of a person in activities
- *Segregation of duties* – practical measures to ensure persons and teams carrying out activities that may conflict can operate independently of each other
- *Inducements* - BMO Capital Markets, London staff are prohibited from making or accepting payments and non-monetary benefits unless the payment or benefit falls within a category of acceptable inducement
- *Remuneration* – the removal of any direct link between the remuneration of persons engaged in one activity and the remuneration or revenues generated by another person where a conflict of interest may arise in relation to those activities
- *Education and Training* – training and promotion of a culture of integrity
- *Information* - having in place effective organisational and administrative arrangements and controls around inside and confidential information such as watch lists, restricted lists and grey lists

The list above is non exhaustive. Any of the above measures and procedures may be combined as necessary and appropriate to manage conflicts of interest as well as to ensure the appropriate level of independence.

### **Disclosure as a last resort**

If organisational or administrative arrangements, made by BMO Capital Markets, London, to prevent conflicts of interest from adversely affecting the interest of its client, are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, we will need to clearly disclose to the client a specific description of the conflict, the general nature and sources of conflicts of interest, the risks to the client and the steps taken to mitigate those risks, before undertaking business for the client. Such disclosure is a measure of last resort and prevention is the primary objective.

Where disclosure is made, it must be in sufficient detail to enable the client to take an informed decision as to whether or not to proceed in light of the conflict. A disclosure to a client must:

- be made in a durable medium
- clearly state that the organisational and administrative arrangements established by BMO Capital Markets, London to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented
- describe specifically the conflicts of interest that arise, taking into account the nature of the client to whom the disclosure is being made, the general nature and sources of conflicts of interest, the risks to the client and the steps taken to mitigate those risks, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

### **Declining to act**

In some circumstances, BMO Capital Markets, London may be unable to manage a particular conflict successfully and, therefore, must decline to act for the client. The reasons for declining a service may include:

- a situation that is too complex to manage, e.g., where there are too many deal teams and confidentiality is put at risk; or
- the client objects once we have issued a conflicts of interest disclosure.

**If you have any questions on this policy, or are unsure whether you have identified a potential conflict of interest or how you should report or deal with a potential conflict of interest please speak to the BUCO or [BMOCM UK Compliance](#).**