

# **J.P. Morgan (Europe)**

## **Summary Policy on Conflicts of Interest**

### **Introduction**

J.P. Morgan Chase & Co and its affiliates (collectively 'J.P. Morgan') comprise a full service securities firm and commercial bank engaged in securities trading and brokerage activities, as well as providing investment banking, asset management and private banking, financing, and financial advisory services and other commercial and investment banking products and services to a wide range of corporations and individuals. Because of the nature of J.P. Morgan's business, a number of situations might arise in which a client's interests could conflict (or could be perceived to conflict) with those of J.P. Morgan or those of other J.P. Morgan clients. J.P. Morgan has established and maintains an effective conflicts of interest policy in order to identify and manage actual and potential conflicts of interest.

This document is designed to provide clients with a high level summary of the underlying conflicts of interest policies and arrangements within J.P. Morgan.

### **Identification of Conflicts of Interest**

J.P. Morgan's internal policies and procedures are designed to ensure that the firm identifies actual and potential conflicts of interest that arise or may arise between itself and its clients and between one client of the firm and another.

Potential conflicts of interest that could arise in the course of J.P. Morgan providing services to its clients include, but are not limited to, the following:

- Where the firm trades its proprietary positions in a security while at the same time it has information about future transactions with clients in relation to that security;
- Where the firm has information in relation to distressed assets and the firm trades proprietary positions in those assets;
- Where the firm has provided corporate finance advice to one corporate client that subsequently becomes the target of a bid and the firm seeks to act for the bidder;
- Where the firm is providing advice to a corporate in relation to a debt issuance and is advising other clients as to the pros and cons of investing in that debt;
- Where one part of the group is used by another part which owes fiduciary obligations, e.g. an investment manager places orders with affiliated broker dealers;
- Where the firm has a holding in, or is trading, dealing or market-making in, securities purchased or sold by or for a client;
- Where the firm is sponsoring, underwriting, sub-underwriting, placing, purchasing, arranging, acting as stabilising manager for, or otherwise participating in, the issue of securities purchased or sold by or for a client;
- Where the firm is issuer of any securities purchased or sold by or for a client or adviser or banker to, or who has any other business relationship with, the trustee, custodian, operator or manager of, or investment adviser to any form of collective investment scheme in which interests are purchased or sold for a client;
- Where a firm provides advisory and financing services to one client in respect of a transaction and seeks to provide financing services to another client in respect of the same transaction;
- Where the firm is discretionary portfolio manager for more than one client or fund, in particular in respect of issues relating to allocation;
- Where the firm is providing research in relation to an issuer (or any of its affiliates) to which it also provides investment banking services;

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- Where an employee of the firm engages in personal account dealing in respect of securities and the firm has a client with an interest that potentially conflicts with such dealing;
- Where an employee of the firm serves as a director, advisory board member or in some other oversight capacity for a public or private company;
- Where substantial gifts and entertainment (including non-monetary gifts) are received by the firm and/or its employees that may influence behavior in a way that conflicts with the interests of the clients of the firm.

### Management of Conflicts

J.P. Morgan maintains and operates organisational, procedural and administrative arrangements designed to manage actual and potential conflicts of interest that arise in the course of the firm's business and to ensure that J.P. Morgan employees engaged in different business activities conduct those activities with the requisite degree of independence.

Specific conflicts management arrangements include, but are not limited to:

- **Chinese Walls/Information Barriers:** J.P. Morgan has in place appropriate internal arrangements (including physical separation, Chinese walls and other information barriers) to regulate and restrict the flow of information between and within the different business areas. These arrangements are designed to prevent improper access to client information or other types of sensitive information e.g. inside information.
- **Segregation of Duties:** The different business areas within J.P. Morgan conduct their day-to-day business independently of each other. Employees in one business area do not have business responsibilities other than with respect to that area and its clients. Reporting lines are separate to prevent or limit any person from exercising inappropriate influence over how others carry out services or activities for the clients of their business area.
- **Remuneration of Employees:** Employees are remunerated on the basis of salary and bonus. Bonus is based on the revenues and results of the firm as a whole and on individual performance.
- **Inducements:** J.P. Morgan's rules on inducements set out the circumstances under which it will accept inducements from third parties. An inducement in the form of payment of a fee or of a commission or provision of a non-monetary payment is only permissible where such inducement is designed to enhance the quality of J.P. Morgan's service to its clients and where it does not impair J.P. Morgan's duty to act in the best interests of its clients. J.P. Morgan is required to disclose the essential arrangements of such inducements to clients as and when they arise and prior to the provision of the relevant service.
- **Personal Account Dealing:** Employees may not deal in securities without obtaining the prior approval of Compliance and, in certain business areas, of the relevant line manager or business head. J.P. Morgan's personal account dealing policies are intended to ensure that at all times employees place clients' interests ahead of their own or those of their immediate family and that there can be no suggestion that an employee has benefited improperly from the misuse of non-public information, put himself in a position of conflict with clients or dealt in any way which will disadvantage clients.

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- **Outside Business Activities:** Employees may not engage in outside business activities that might give rise to a real or apparent conflict of interest. All outside business activities have to be pre-approved.
- **Gifts and Entertainment:** The giving and receiving of gifts (including entertainment) to or from those doing business with J.P. Morgan can give rise to a real or apparent conflict of interest and is, therefore, generally prohibited subject to certain limited exceptions. Permissible gifts that are accepted must be reported to Compliance.
- **Allocation of New Issues:** J.P. Morgan's allocation policy addresses the various conflicts of interest that can arise during the management and distribution of a securities offering on behalf of an issuer. Amongst other things, the policy restricts allocations made conditional upon after-market purchase by an investment client (so-called 'laddering') or to an executive officer or director of a company conditional upon future investment banking business or as consideration for past investment banking business (so-called 'spinning').
- **Execution/Client Order Handling:** Clients' interests are protected by the firm's dealing policies, which prohibit the firm's traders from front-running client orders and stipulate that client orders must take priority over principal and proprietary trading.
- **Independence of Research/Dealing Ahead Restrictions:** J.P. Morgan is committed to providing its clients with independent and objective research. The firm has implemented various measures to ensure the integrity of research production whenever it is produced by research analysts. The firm has also implemented arrangements designed to prevent dealing ahead of the publication of such research.
- **Control Room/Use of Restricted and Grey Lists:** J.P. Morgan uses a Control Room (within Compliance) to assist with the maintenance and monitoring of the Chinese Wall and other information barriers by tracking the flow of non-public information (including inside information) within the firm through the use of Grey and Restricted Lists and to monitor potential conflicts arising out of sales, trading and research activities in the period before, during and after investment banking transactions.
- **Conflicts Office/Conflicts Clearance Processes:** The J.P. Morgan Conflicts Office ensures appropriate review of transactions, products or activities (collectively 'Activity') that could give rise to an actual or perceived conflict of interest and/or related reputation risk for J.P. Morgan. Any Activity and all advisory assignments originated from any business group within J.P. Morgan are referred to the Conflicts Office for review. The Conflicts Office manages conflicts of interest by monitoring, clearing and, in appropriate cases, limiting business activities and deal team staffing.

There may be circumstances where the arrangements that J.P. Morgan has in place with respect to conflicts management are not sufficient to ensure, with reasonable certainty, that risk of damage to the interests of one or more clients will be prevented. In these circumstances, J.P. Morgan may, in the best interests of a client, disclose the general nature and/or sources of the potential conflict of interest to the client(s) concerned before undertaking business with or for the client(s) and ask the client(s) to consent to us acting notwithstanding such conflict of interest or, if we believe there is no other practicable way of preventing damage to the interests of one or more clients, we may decline to act.

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