



PRIME BROKERAGE

Skandinaviska Enskilda Banken AB (publ) ("SEB")

Identification, management, supervision and disclosure of conflicts of interests according to Ch. 9, Sect. 8, para. 2 of the Swedish Act (SFS 2013:561) on Alternative Investment Fund Managers

General, background

According to Chapter 9, Section 8, paragraph 2 of the Swedish Act (SFS 2013:561) on Alternative Investment Fund Managers (Swe: lagen om förvaltare av alternativa investeringsfonder), a prime broker, who acts as a counterparty to an alternative investment fund, may not be designated as a depository (by which SEB specifically means its trustee services, but herein referred to as "depository") for a fund unless the activities as depository are maintained separated from the services provided as prime broker. In addition, the prime broker must also maintain routines to identify, manage, control and disclose any conflicts of interests to the fund's investors.

SEB offers depository services for funds domiciled in Sweden and certain other jurisdictions. In short, the depository protects the unit holders through required control and monitoring of the funds. The depository shall hold in custody the holdings of the funds and ensure that the funds act in line with laws and regulations, guidelines and fund rules. The depository shall act independently of fund companies and fund managers and solely in the interests of the investors. The depository activities include, but are not limited to, safekeeping of the assets of the funds, control of investment restrictions, control of redemption and subscription of fund units, valuations of fund units, controls of securities transactions and outgoing payments, on-site inspections where required, etc. The depository function is maintained within the Transaction Banking unit of SEB.

In addition thereto, SEB may also provide specific services requested by the customer in its capacity as prime broker according to separate agreements between the customer and SEB. Such prime brokerage services may include, but are not limited to providing solutions for equity finance, trading activities, financing, and reporting services. When providing such services, SEB may act as counterparty to the fund. SEB's prime brokerage services are provided within the Markets unit of SEB.

As a consequence of the fact that SEB may be requested to act both as a depository and as a prime broker in relation to specific funds and fund companies, and their respective managers, and that SEB in the latter capacity may act as counterparty to such funds, this document summarizes the principal routines for the identification, management, supervision and disclosure to the funds' investors of conflicts of interests relevant for the prime brokerage function in relation to, primarily, its depository function.

Conflicts of interest, general



The SEB Group provides a wide range of banking and securities services under applicable Swedish and foreign laws. Given the diversity of SEB's operations, conflicts of interest may arise. To prevent conflicts of interest from arising, the parts of the SEB Group, between which such conflicts may arise, are separated when possible. When such conflicts cannot be avoided, internal policies and procedures are in place to ensure the fair treatment of clients.

SEB's procedures for the identification of potential conflicts of interests, as well as procedures and measures to prevent such potential theoretical conflicts of interests from arising, or, where, one does arise, from adversely affecting the interests of the SEB Group's clients are summarized in SEB's "*Instruction for the handling of Conflicts of Interest in the SEB Group*" (the Instruction") which is available on the SEB website. This Instruction is a public document, and is regularly updated. The current version is attached hereto as [Appendix 1](#). As identification, management and control of conflicts of interest is an instrumental part of SEB's operations, this area also forms a fundamental part of inter alia SEB's Code of Business Conduct as well as the Ethics Policy. The procedures for handling of conflicts of interests are also reflected in e.g. the extensive confidentiality provisions contained in internal rules and in the confidentiality undertakings which applies to all SEB employees, in the fundamental core values of SEB expressed in the Ethics Policy and in the Code of Business Conduct, in SEB's instruction for employees' Personal Account Dealing instruction, in the procedures for approval of employees' external engagements outside of the SEB Group, in the Gifts and Business Entertainment instruction, etc. The general principles and procedures set forth in the Instruction are reiterated and further specified in instructions for specific functions.

Identification and management of actual and potential conflicts of interest as between SEB's prime brokerage function and depository function

As set forth in the introduction, SEB's depository services is an independent control function, acting separately from, inter alia, the fund manager and SEB's prime brokerage function and in the sole interests of the investors, performing a number of control activities. When performing such activities, the depository function obtains information relating to the funds which could theoretically be misused (and thus raises potential conflict of interests issues) in relation to e.g. the interests of other clients of the SEB Group, whether engaging in trading in the same securities or seeking other services, the SEB Group's activities for its own account, particularly in the area of offering credits or offering services competing with the interests of other counterparties used by fund/fund manager, and the interests of SEB employees in personal account dealings. In accordance with the Instruction, SEB thus keeps such depository operations separate from e.g. the prime brokerage function or any fund management activities provided by other entities within the SEB Group.

Consequently, in relation to SEB prime brokerage services, it has been ensured that the activities of SEB's depository activities are physically and systematically separated in order to establish information firewalls. This is reflected in primarily the following ways:

- The depository function is physically separated from the prime brokerage function, with no access to the premises of the depository for representatives of the prime broker.
- The depository reports to another unit (Transaction Banking) than the prime broker (Markets), see Organization Chart attached as [Appendix 2](#).



- The depository maintains its own technical systems, to which the prime broker has no access.
- The depository function obtains information from other parts of the SEB group, including the prime broker. However, no information is provided from the depository function to the prime broker.
- Remuneration models for the depository are independent of results and profitability of the prime broker, other units within SEB or its clients.
- The depository has a mandate and a veto to approve or decline funds and counterparties independent of the prime broker and other units of SEB.
- The depository has its own committees for escalation of matters connected to its role as depository, where the prime broker is not represented.
- The prime broker's activities in relation to the funds are governed by separate agreements with the funds/fund managers, and thereto related rules, regulations and internal procedures.

Supervision of conflicts of interest

Where an employee becomes aware of circumstances which he or she believes could constitute a conflict of interest likely to have a material impact on the interests of a client of the SEB Group, including the investors of an alternative investment fund, she or he shall report the matter to the immediate superior or to the Compliance Department, which in the case of both the prime broker and the depository is Merchant Banking Compliance.

Compliance has responsibility for ensuring that SEB monitors the effectiveness of the measures and procedures put in place pursuant to the Instruction and these routines, and that these are updated as and when necessary.

Disclosure of conflicts of interest to fund's investors

As stipulated in Chapter 9, Section 8, paragraph 2 of the Act on Alternative Investment Fund Managers, the conflicts of interest identified as per these routines shall be disclosed to the fund's investors. In accordance herewith, the prime broker shall inform the alternative investment fund manager about identified conflicts of interest, who shall inform the fund's investors in the fund's information brochure or by way of another appropriate measure. The method for disclosure of actual or potential conflicts of interest shall be agreed in the agreement between the alternative investment fund manager, or the fund, and SEB.

Organization Chart

