



# Summary Conflicts of Interest Policy

**Commonwealth Bank of Australia**

October 2019



## Introduction

Commonwealth Bank of Australia (ABN 48 123 123 124) ('CBA') is a public company registered in Australia under the Corporations Act 2001 (Cth). It is authorised and regulated in the United Kingdom by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority. CBA Europe Ltd ('CBAE') is a separately incorporated UK subsidiary of the Bank, registered in the UK and authorised and regulated by the Financial Conduct Authority.

CBA is a provider of integrated financial services, including retail, premium, business and institutional banking, funds management, superannuation, insurance, investment and share-broking products and services to a wide range of corporations and individuals.

Due to the nature of CBA's business, a number of scenarios may arise in which a client's interests could conflict, or could be perceived to conflict, with CBA or other clients of CBA. CBA has established, implemented and maintains an effective Conflicts of Interest Policy (the 'Policy') in order to identify, manage or prevent actual and potential conflicts of interest. This document provides a high level summary of CBA's underlying Policy and conflict management arrangements.

## Identification of Conflicts of Interest

CBA has policies and procedures designed to ensure it is able to take all appropriate steps to identify, manage or prevent actual and potential conflicts of interest. For the purposes of identifying types of conflicts of interest that may arise in the course of business, CBA will consider whether CBA or an employee:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- carries on the same business as the client;
- receives 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.

A non-exhaustive list of conflicts of interest which may arise in the course of CBA providing services to its clients include:

- CBA acting in the same transaction in a variety of capacities;
- Advisory activities provided by CBA (e.g. mergers & acquisitions, corporate financing activities, financing);
- Employees having outside business interests or being associated with a supplier or potential counterparty to CBA;
- Transactions where related parties are engaged for services;
- Provision of services to one client may pose a conflict of interests with another client;
- CBA undertaking proprietary positions for its own trading interests which may conflict with the interests of those of its clients;

- CBA provides investment research reports and acts in an advisory capacity in relation to the same entity or partakes in market & price sensitive transactions relating to the particular entity;
- Underwriting activities;
- Activities requiring cross group collaboration;
- Access to material non-public information about financial products or instruments by persons on the public – side;
- Provision of information to a select group of clients over another group or clients in the provision of information that is not yet a general publication;
- Employees engage in personal account dealing that may pose a conflict of interest to CBA and/or its clients; and
- Employees receiving gifts and entertainment that may influence their behaviour in a way that could pose a conflict of interest with CBA clients.

## Management of Conflicts of Interest

CBA maintains and operates effective organisational and administrative arrangements designed to ensure all appropriate steps are taken to identify, manage or prevent conflicts of interest. The aim of these arrangements include but are not limited to:

- effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;
- the separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of CBA;
- the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities; and
- measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

Such arrangements include, but are not limited to:

- Information Barriers, which are designed to restrict the flow of information between conflicting functions through physical separation of conflicting functions, restricted access to electronic files, folders and systems, procedures for wall crossings, and regular compliance monitoring;
- Product development and approval process;
- Management approval of outside business interests;

- Personal account dealing restrictions;
- Conflicts of interest register;
- Control Room function;
- Operational Risk Management Framework;
- Independent Compliance department;
- Gifts and entertainment management, including a register and management approval process;
- Policies to prevent conflicts caused by remuneration practices;
- Staff training on conflicts of interest identification and management; and
- Management reporting.

## Disclosing conflicts of interest

In the event that circumstances arise where organisational or administrative arrangements made by CBA to prevent conflicts of interest from adversely affecting the interest of its client would not be sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, CBA may make a disclosure to the client.

In the event CBA chooses to disclose, the disclosure will be made to the client in a durable medium and clearly explain the general nature and sources of conflicts of interest, the risks to the client that arise as a result of the conflicts of interest and the steps taken to mitigate those risks. The disclosure, taking into account the nature of the client, will enable the client to take an informed decision with respect to the service in the context of which the conflicts of interest arise. The disclosure will invite the client to advise CBA if they are not comfortable with the arrangement, in which case CBA will decline to act and thereby avoid the conflicts of interest.

In some cases CBA may decline to act at the outset and thereby avoid any conflicts of interest.

## Review of the Policy

CBA will assess and review the Policy from time to time and at least on an annual basis and shall take all appropriate steps to address any deficiencies identified, including each instance of where CBA made a disclosure to a client as detailed above. CBA will notify you of any material changes in line with our notification requirements as set out in our terms of business with you.