

CONFLICTS OF INTEREST

Following the implementation of the MiFID II regime, specifically Article 23 of the Delegated Regulation, and in accordance with the FCA's Handbook SYSC 10, CFS Management Ltd is required to take all appropriate steps to identify potential conflicts of interest and to implement, maintain a comprehensive Conflicts of Interest Policy ("Policy")

The purpose of this Policy is to set out the Firm's approach to identifying and managing conflicts of interest which may arise between CFS Management Ltd (CFSM) (including its managers, employees, appointed representatives or tied agents, or a person directly or indirectly linked to CFS Management Ltd by control and CFSM's clients), or between one client and another, that arise or may arise in the course of the Firm carrying on regulated activities, including those caused by the receipt of inducements from third parties

Regulatory background

[Financial Conduct Authority \(FCA\) Principle 8 \(Conflicts of Interest\)](#) and SYSC require firms to manage conflicts of interest fairly, both between itself and its clients and between one client and another. [SYSC 10.1.10R](#) requires a firm to establish, implement and maintain an effective conflicts of interest policy that is set out in writing and is appropriate to the size and organisation of the firm and the nature, scale and complexity of its business. Article 9 of MiFID II Regulation states that the management body of an investment firm defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of the investment firm including the segregation of duties in the investment firm and prevention of conflicts of interest.

Responsibilities of employees

It is the responsibility of all employees to familiarise themselves with this Policy and to report conflicts of interest to their line manager who will in turn report them to the Head of Compliance.

Failure to adhere to this policy may be held to be a breach of an employee's contract. Overall responsibility for conflicts of interest lies with the Board of Directors. The Head of Compliance is responsible for the day-to-day administration of the Policy. All staff has a responsibility for carrying out aspects of the Policy that are relevant to them.

Identification of conflict of interest

In order to identify the types of conflict of interest that arise in the course of providing investment and ancillary services or activities, CFSM considers, by way of minimum criteria, the question of whether CFSM, or a person directly or indirectly linked by control to CFSM:

- Are likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- Have 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;
- Have a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;

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- Carry on the same business as the client;
- 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 monies, goods or services, other than the standard commission or fee for that service. Taking into account the above, CFMS has identified the following situations which could lead to a conflict of interest entailing a material risk of damage to the interests of one or more clients:
- Where CFMS provides reception and transmission and/or execution services for financial instruments to more than one client at the same time, or where they aggregate the orders of more than one client (timely/best execution);
- Where CFMS employees engage in personal account dealing in financial instruments, and a CFMS client submits orders in these financial instruments that potentially conflicts with such dealing;
- Where substantial gifts and/or entertainment are received that may influence CFMS employee's behaviour in any way that conflicts with a clients' interests;
- Where a member of the CFMS takes proprietary positions in a financial instrument when at the same time there are CFMS client orders in relation to that financial instrument;

This list is non-exhaustive

Management of conflict of interest

CFMS has adopted the following general procedures and measures to manage potential conflicts of interest:

- Effective procedures to prevent or control the exchange of information between staff 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 staff 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 the Firm;
- The removal of any direct link between the remuneration of staff 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 an employee carries out investment or ancillary services or activities;

In addition to the above, specific examples of procedures and controls established to prevent and manage conflicts of interest include:

- Stringent group-wide Chinese Walls and organisational arrangements to manage and control the flow of information which might lead to a conflict of interest;
- A Personal Account Dealing Policy governing staff personal transactions in financial instruments;
- Remuneration arrangements carefully considered to ensure conflicts do not inadvertently arise through inappropriately set targets, and which do not reward

behaviour that disadvantages the interests of clients in favour of CFSM or relevant persons, or other clients ;

- A Whistleblowing procedure designed to allow staff to report any wrongdoing by their colleagues;
- An Anti-Bribery and Corruption (ABC) Policy and regular ABC risk assessment: CFSM strictly prohibits the involvement by any individual or associated person in offering or accepting anything of value (whether directly or indirectly) for the purpose of improperly obtaining or retaining business or otherwise securing a business advantage (a bribe), whether for the benefit of an individual, for CFSM or for our clients;
- A Gifts and Entertainment Policy, and maintenance of appropriate Registers;
- An Order Execution Policy to ensure the prompt, fair and expeditious execution of client orders;
- Recording of relevant telephone and electronic communications relating to the provision and performance of investment services and activities, in accordance with FCA rules;
- Independent internal control and monitoring functions including Compliance and Audit; and,
- Maintenance of a Register of outside interests, such as directorships or shareholdings, in service providers or other firms.

The Firm does not engage in proprietary trading or corporate finance.

Disclosure of conflicts of interest

Senior management taking a holistic view of conflicts risk and conflict mitigation within the full range of business activities for which they are responsible;

- Senior management having the means of achieving a consistent treatment of conflicts of interest throughout the CFSM group;
- Senior management receiving management information on the extent of, and mitigation of, conflicts of interest in the business in order to control the business effectively;
- CFSMC reviewing on a regular basis the types of mitigation it considers acceptable to address conflict risks;
- A corporate culture within the CFSM group which we believe is a key mitigating tool for the proper management of conflicts of interest

The policy on conflicts of interest is as stipulated in Article 34 (5) of MiFID II Delegated Regulation, under review at least annually to ensure that appropriate measures to address deficiencies are taken.