



## CONFLICT OF INTEREST POLICY

### **FINALTO FINANCIAL SERVICES LIMITED**

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## POLICY INFORMATION

Document	Conflict of Interest Policy
Version	04-20
Distribution List	<p>All staff</p> <p>Staff is defined as including directors, officers, senior managers, employees (whether permanent, part time, fixed-term or temporary), consultants, contractors, casual workers, agency staff, interns, secondees, trainees, volunteers, third parties, or any other person performing services on behalf of any Finalto Financial Services Limited entity.</p>
Contact	Compliance Officer (the "Compliance Officer")

## RECORD OF AMENDMENTS

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## STATEMENT OF PRINCIPLE

Finalto Financial Services Limited (“the Company”, “we”) is a UK based entity regulated by the Financial Conduct Authority with FRN 481853. The Company conducts its business according to the principle that it must manage conflicts of interest fairly, both between itself and its clients.

## INTRODUCTION

This document sets out the Company’s procedures in relation to the prevention, identification, management, reporting and ongoing monitoring of conflicts of interest. Senior management within the Company are responsible for ensuring that the systems, controls and procedures are appropriate to prevent, identify and manage conflicts of interest. The Compliance Officer assists in the prevention, identification and monitoring of actual and potential conflicts of interest.

## SCOPE AND APPLICATION

This procedure applies in respect of all activities conducted in and by the Company. All Relevant Persons need to make themselves familiar with it. In addition, to the procedures outlined below, all Relevant Persons should be familiar with the Company’s **Personal Account Dealing Policy** which also has a bearing on the management of conflicts of interest.

- i. For the purposes of this document, this policy applies to those conflicts of interest that may adversely affect the interests of a client. Conflicts of interest may arise between:
  - the Company and a client;
  - a Relevant Person and a client;
  - two or more clients of the Company in the context of the provision of services by the Company to those clients; or
  - a Company Vendor and a client.
- ii. For the purposes of this policy, **clients** include:
  - existing clients of the Company;
  - potential clients (where the Company is seeking individually to enter into a contractual relationship in respect of Regulated Business services); and
  - past clients where fiduciary or other duties remain in place.
- iii. For the purposes of this policy, “**Regulated Business**” means all forms of sales and trading activities in derivatives and their underlying instruments, custody and foreign exchange services related to sales and trading activity.
- iv. For the purposes of this policy, “**Relevant Person**” means any of the following:
  - a director, partner or equivalent, manager, or appointed representative (or where applicable, tied agent) of the Company or any person directly or indirectly linked to them

- by control;
  - an employee of the Company or of an appointed representative (or where applicable, tied agent) of the Company or any person directly or indirectly linked to them by control; or
  - a person who is involved in the provision of services to the Company or its appointed representative (or where applicable, tied agent) under an outsourcing arrangement for the purpose of the provision by the Company of investment services and activities or any person directly or indirectly linked to them by control.
- v. For the purposes of this policy, a **“Company Vendor Relationship”** means a relationship that the Company has with a service provider, including but not limited to entities providing outsourcing facilities to the Company, where services are being provided to the Company.
- vi. For the purposes of this policy, **“immediate family”** means spouse, civil partner, children and step-children, except a spouse, civil partner or adult child/step-child who independently manages his or her own investments without direction or control by or advice the Relevant Person.
- vii. For the purposes of this policy, **“Position of influence at a client”** means a person with a position of influence at a client. This would include an executive or non-executive director, head of department, client services representative or other person with decision-making authority or has direct access to client information.
- viii. For the purposes of this policy, **“Relationship”** means a person with whom you have a personal relationship and is someone other than “immediate family” as defined above. Such a person may, for example, include siblings, a partner or close personal friends. The guiding principle is whether you think a reasonable person would expect the relationship to have an impact on your independence in working for the client. If the person with whom you have a personal relationship is in a position of influence at an entity supplying or seeking to supply goods or services or competitor to the Company, you must disclose this to the Compliance Officer.

## GENERAL PRINCIPLES

The key concepts underlying this policy are as follows:

We will take all reasonable steps to identify conflicts of interests between ourselves (including our managers, employees, or any person directly or indirectly linked to us by control) and any client; or between one client and another that arise or may arise in the course of us providing any service to our clients in the course of carrying out regulated activities or ancillary services.

For the purposes of identifying conflicts of interest, we will consider, as a minimum, whether the Company or a Relevant Person or a person directly or indirectly linked by control to the Company:

- i. is likely to make a financial gain, or avoid a financial loss, at the expense of the client;

- ii. 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;
- iii. has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- iv. carries on the same business as the client; and/or
- v. receives or will receive from a person other than the client a **benefit** 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**.

We will maintain and operate effective organisational and administrative arrangements with a view to taking reasonable steps to prevent conflicts of interest from constituting or adversely affecting the interests of our clients.

In relation to the identification and management of conflicts of interest we will consider:

- i. the risk that a conflict of interest may adversely affect the interests of a client, a group of clients or all of our clients;
- ii. the nature, scale and complexity of our business in the UK and internationally; and
- iii. the nature and range of products and services offered in the course of that business.

Although the Company has effective procedures in place to identify and manage conflicts of interest, it also works to prevent such conflicts of interest from arising. The Company ensures that staff receive training which enables them to identify situations which might lead to conflicts of interest arising and the best approaches to take.

**\*We will provide all clients with a copy of this Policy Statement, if requested\***

## **THE NATURE OF CONFLICTS OF INTEREST**

Conflicts of interest can take many forms. They arise where there is a mismatch between the interests of one party to an agreement and another party. The circumstances which should be treated as giving rise to a conflict of interest cover cases where there is a conflict between the interests of the Company or certain persons connected to the Company or the Company's group and the duty the Company owes to a client; or between the differing interests of two or more of its clients, to whom the Company owes in each case a duty.

## **POTENTIAL PERSONAL CONFLICT OF INTEREST**

A potential personal conflict of interest may exist where:

- i. an employee (or a member of his / her immediate family) has a financial connection with a client or competitor;
- ii. an employee has a personal relationship with a client or competitor;
- iii. an employee has a personal relationship with a supplier or competitor;
- iv. an employee has received benefits (e.g. gifts) from a client or a business services person from a supplier; and
- v. an employee is a director or trustee of a client or competitor.

There may be other situations that do not fit into the categories described below where a personal conflict may arise. All employees must be alert to such conflicts and must disclose them to the Compliance Officer, if you are personally asked to act for that client or are linked to that competitor.

### **GROUP INTERESTS**

Any financial connections that you have with a client or personal connection with a competitor should be disclosed where it could be reasonably argued that your independence is threatened as a result.

All employees must disclose these matters to the Compliance Officer before starting work and must also include them in the **Conflict of Interest Policy Declaration** which you are asked to complete annually.

Details of financial interests and whether or not they need to be disclosed are as follows:

- i. shareholdings or other securities in a company held by you or, to your knowledge, any of your immediate family, the value of which is likely to be affected by the subject matter of the retainer must be disclosed (subject to the proviso that holdings worth less than the local equivalent can be disregarded for this purpose) even if the purchase was previously approved by the Company;
- ii. investments in pension funds or similar investments do not need to be disclosed, provided they are on normal commercial terms;
- iii. bank or other savings accounts in relevant clients do not need to be disclosed, provided they are on normal commercial terms; and
- iv. if you are related to, or are a close personal friend of, an individual who would stand to benefit personally to a material extent from the subject matter of the retainer or information you have gained by your employment at the Company, this must be disclosed.

### **PERSONAL RELATIONSHIPS**

If you have a personal relationship with someone who works for a client or supplier organisation, or who is a client or supplier themselves or competitor, you need to ensure that you do not



compromise the Company's or your own independence. You should start by discussing the situation with the Compliance Officer.

If the person with whom you have a personal relationship is in a position of influence at the client or is the person from whom the Company has dealings or competitor, you should not personally work for that client **unless this has been approved in advance** by the Compliance Officer.

While you may consider that you are able to act independently, external perceptions are also important; it is therefore important that someone impartial makes the decision as to your personal involvement in the matter.

## **PREVENTION OF CONFLICTS**

The Company has the following procedures in place to prevent conflicts of interest:

- i. divisions and legal entities operate with appropriate independence from one another;
- ii. supervisory arrangements provide for 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 the Company;
- iii. there are appropriate controls in place to identify and manage cross-board memberships and outside business interests of Relevant Persons;
- iv. where necessary, Relevant Persons may be asked to step aside from working on a specific transaction or participating in the management of a potential Conflict of Interest;
- v. 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;
- vi. where necessary, Relevant Persons are subject to personal account transaction rules; and
- vii. there is a periodic review of the appropriateness of the Company's systems and controls.

## **IDENTIFICATION OF CONFLICTS OF INTEREST**

Conflicts of interest may arise at any time. They can arise at the start of a relationship with a client as well as at any time during a relationship.

**APPENDIX A** sets out examples of potential conflicts that may arise in the course of our activities. The purpose of this list is to assist directors and employees identify potential conflicts of interest. All employees should review Appendix A of this policy and ensure that they understand the nature of the conflicts concerned. This will assist all employees in ensuring that they observe the requirements

of this policy.

#### **COMMENCEMENT OF CLIENT RELATIONSHIP**

The Onboarding Department signs off all new clients prior to us undertaking business with or on their behalf. Prior to providing sign-off, the Onboarding Department will consider any potential conflicts of interest.

#### **IDENTIFICATION OF CONFLICTS OTHER THAN AT THE COMMENCEMENT OF A RELATIONSHIP**

All directors and employees have an ongoing responsibility to remain alert to the potential for conflicts of interest and to ensure that any such conflicts are appropriately escalated via the Compliance Department of the Regulated Entity.

#### **CONFLICT NOTIFICATION**

The Compliance Officer acts as the central co-ordination point in relation to conflicts of interest. Accordingly, any actual or potential conflict of interest whether it arises at the commencement of a client relationship or at some other time, should be reported to the Compliance Officer. In relation to any such conflicts, the following information should be provided (as far as possible):

- i. names of the clients or clients concerned;
- ii. nature of the conflict;
- iii. whether the conflict is deemed to be an actual conflict or a potential conflict; and
- iv. names of the individuals within the Company best placed to resolve the conflict.

#### **REVIEW OF CONFLICTS**

Upon receipt of a Conflict Notification, the Compliance Officer will:

- i. Log the conflict on the Register of Conflicts of Interest.
- ii. Assess the conflict to determine whether it is:
  - a) a perceived rather than actual conflict and one in relation to which no further action is required; and
  - b) a conflict which does not have commercial implications for the Company and in relation to which the Compliance Officer is the appropriate individual to resolve.
- iii. Record the outcome of the assessment on the Register of Conflicts of Interest.
- iv. Ensure the conflict of interest is subject to ongoing monitoring.

The details recorded on the Register of Conflicts of Interest must include all of the parties involved,

the reason for the conflict, details of who identified and reported the conflict, how the conflict will be managed internally, the date the client was advised, the client response and whether or not the transaction was undertaken.

## **CONTROLS IN PLACE TO MANAGE CONFLICTS**

The Company has a management structure in place, including separation of functions, appropriate reporting lines and internal segregation that have been designed in order to ensure that the possibility of any conflict of interest is minimised and if they do arise, that they are appropriately managed, which includes:

- i. Information barriers (internal segregation).
- ii. Electronic separation through separation of e-mail and computer access.
- iii. Physical barriers, locating different parts of the Company on different floors of the building.
- iv. Identification and separation of conflicts when they arise.
- v. New products and services are reviewed before launch and any potential conflicts are considered.
- vi. Personal Account Dealing Policy for staff to follow.
- vii. Anti-Bribery and Corruption Policy which outlines rules concerning Gifts and Entertainment for staff.
- viii. Staff are required to disclose any outside interests, such as directorships and second jobs.
- ix. Independent management structures and reporting lines which only meet at Executive Management Committee and/or board level.

All employees of the Company under the Terms of their Contract of Employment and in accordance with the Company's Compliance Procedures Manual are required to promptly provide the Compliance Officer with electronic copies of any Personal Account Dealing that they may conduct in relation to regulated instruments.

All employees of the Company are required, under the Terms of their Contracts of Employment and the Company's Compliance Procedures Manual, to immediately advise the Compliance Officer of any family members or personal friends who are either clients, employees or service providers or competitors to the Company or any of its associated companies. In the event of a conflict arising, the management structure will allow the Company to control the incident, manage the conflict and ensure that there is minimal risk of damage to the interests of the client and that the client is treated fairly at all times.

In the event of an employee identifying a potential conflict, whether or not they are directly involved

in the conflicting situation, they must immediately advise the Legal and Compliance Department of the conflict, including details of:

- i. all clients involved and, if applicable, the names and details of any beneficial owners, trustees or directors involved;
- ii. the departments and staff involved with the transaction(s);
- iii. the nature and purpose of the transaction(s); and
- iv. their reason for believing a conflict may exist.

The Legal and Compliance Departments will assess the information presented and decide if a conflict of interest exists, determine all parties concerned and consider how the conflict can be appropriately managed and minimise any risk of damage to the client's interest.

Following the assessment, the Legal and Compliance Departments will summarise the conflict and how it can be managed internally and before proceeding, approval must be obtained from the Compliance Officer. Once approval has been granted, any clients impacted will be advised of the conflict of interest as soon as possible, in writing, including sufficient details of the conflict, before the Company continues with the transaction and / or relationship. The client will be provided with an explanation of the general nature and sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks, in sufficient detail, to enable that client to take an informed decision with respect to service in the context of which the conflicts of interest arise. The client will also be informed that the organisational and administrative arrangements established by the Company to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the customer will be prevented.

The client will be asked to respond as quickly as possible and confirm whether or not they wish the Company to continue providing advice, services or deal on their behalf.

If the client gives their consent, the Company will ensure the conflict is appropriately managed internally and continue to provide the service or deal on behalf of the client as originally instructed or as the client directs, consider any procedures that have been put in place to manage the conflict.

## **REMUNERATION**

The Company's Remuneration Policy will encourage responsible business conduct, fair treatment of clients and avoid conflicts of interest in the relationships with clients. The Company will work to avoid conflicts caused by the receipt of inducements by the Company's own remuneration and other incentive structures. The Company will apply SYSC 19A and 19C of the FCA Handbook.

## RESOLUTION OF CONFLICTS

In most cases conflicts will be resolved by the Compliance Officer in one of the following ways:

- i. an acknowledgement that existing controls are sufficient to mitigate the conflict, an example, might be where established Chinese walls exist or where the individuals concerned are subject to a policy of independence;
- ii. implementation of additional control measures specific to the conflict concerned;
- iii. declining to act for the client concerned;
- iv. disclosure of the conflict to the parties concerned and seeking their consent to continue with the transaction. In that case, disclosure should be used as a last resort only; and
- v. they must ensure that the use of a connected party is documented in the Company's risk register.

The way in which a particular conflict has been resolved should be notified to the Compliance Officer who will record the method of resolution on the **Register of Conflicts of Interest**.

## CONFLICTS MONITORING

Conflicts of interest which are of an ongoing nature will be reviewed by Compliance as part of their ongoing monitoring responsibilities. Furthermore, this policy will be reviewed and updated as necessary annually.

The Register of Conflicts of Interest shall also include a record of the kinds of investment or ancillary service or investment activity carried out by or on behalf of the Company in which a conflict of interest entailing a risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise. The Register of Conflicts of Interest shall be reviewed monthly by the Compliance Officer and tabled at each board meeting.

## APPENDIX A - POTENTIAL CONFLICTS OF INTEREST (NON-EXCLUSIVE)

- i. Scenario: The Company or Relevant Person receives substantial gifts or entertainment from third parties (including non-monetary inducements) that may influence behaviour in a way that conflicts with the interests of the Clients of the business.

Control in place: A register of gifts and entertainment provided by clients will be kept. Training will be given to ensure employees are not influenced by such gifts and entertainment.

- ii. Scenario: The Company may introduce clients known to its employees which may influence employees' behaviour in such a way that may conflict with the interests of other Clients of the business.

Control in place: Employees will be required to notify their line manager and Compliance Officer of any connection with a client.

- iii. Scenario: The Company or Relevant Person may know someone or have an account with one of the Company's liquidity provider which may influence behaviour in a way that conflicts with the interests of the Company's clients.

Control in place: Employees will be required to notify their line manager and Compliance Officer of any connection with a liquidity provider.

- iv. Scenario: The Relevant Person may confirm legitimacy of documents during the Onboarding process in an attempt to expedite the Onboarding process.

- v. Scenario: Finance employee creates an expense claim for himself or anyone else, or increases an amount on an approved expense claim when the payment is set up.

Control in place: All payments have to go through a two-step review and two step bank approval, i.e. two finance employees will have to log into the bank, one to set up the payment and another person to approve the payment. In addition, an employee never sets up his own expense claim.

- vi. Scenario: A Finance employee pays a withdrawal out to a bank account not owned by the client.

Control in place: All payments have to go through a two-step review and bank approval. Finance will set up payment for withdrawals and Operations will review the payments and the transfer out of the trading account and approve the payment in the bank.

- vii. Scenario: A Finance employee creates an invoice and pays out.

Control in place by Finance: All Invoices have to be approved by the relevant head of the department i.e., IT cost is approved by Ole etc. All payments have to go through a two-step

review and bank approval i.e. two finance employees will have to log into the bank, one to set up the payment and another person to approve the payment.

Please note the following:

We do not consider that any remuneration, fees, discounts or other benefits we receive from, or provide to, our hedging counterparties (our “**Hedging Counterparties**”) conflicts with any obligations we owe to our clients. This is because, when we enter into transaction with our clients, we act as their direct counterparty that has entered into the client transactions “at risk”. Any pricing which we offer in respect of the client transactions from time to time is on the basis that we are our clients’ sole execution venue. That is, the pricing which we offer in respect of the clients from time to time is not determined by reference to, or derived from, the pricing of the hedging transactions which we may enter into with our Hedging Counterparties from time to time. The terms of our client transactions (including the pricing) are distinct from those of the hedging transactions which we may enter into from time to time.

The Company acts as its clients’ principal counterparty and it also holds risk on its books. Any back-to-back hedging arrangements which the Company may enter into from time to time (including any payments it makes to, or receives from, its hedging counterparties) are an internal matter for the Company and have no bearing on the pricing and the investment services it offers to its clients. This means that the regulatory restrictions on “payments for order flows” as well as any other rules regarding inducements have no bearing on the Company’s relationships with its own clients. It is important for the Company’s clients to consider the Company as their sole execution venue. Reference is made to the Company’s Order Execution Policy, which provides additional information in this regard.