

**TRADE** | CAPITAL MARKETS

# CONFLICTS OF INTEREST POLICY

TRADE CAPITAL MARKETS (TCM) LTD



## Contents

1.	INTRODUCTION.....	2
2.	SCOPE AND PURPOSE OF APPLICATION.....	2
3.	IDENTIFICATION.....	2
4.	PREVENTION OF CONFLICTS OF INTEREST.....	3
4.1.	GENERAL.....	3
4.2.	PORTFOLIO MANAGEMENT & RISK MANAGEMENT.....	3
4.3.	CHINESE WALLS.....	4
4.4.	GIFTS AND ENTERTAINMENT.....	4
4.5.	EXTERNAL ENGAGEMENTS.....	4
4.6.	FORBIDDEN BUSINESS PRACTICES.....	5
4.7.	USE OF CLIENTS' FINANCIAL INSTRUMENTS.....	5
5.	DISCLOSURE.....	5
6.	RESPONSIBILITIES OF THE SENIOR MANAGEMENT.....	6
7.	REPORTING CONFLICTS OF INTEREST.....	6
8.	CONFLICTS OF INTEREST AND REMUNERATION.....	7
9.	RECORD-KEEPING.....	7

## 1. INTRODUCTION

Trade Capital Markets Ltd (formerly "Leadcapital Markets Limited" and hereinafter, "TCM" or "the Company" or "the Firm" or "We") is authorised and regulated by the Cyprus Securities and Exchange Commission ("CySEC") as a Cyprus Investment Firm ("CIF") with CIF license number 227/14, to conduct designated Investment and Ancillary Services and Activities to the Client under the Provision of Law 87(I)2017, as amended or replaced from time to time, and authorised by the Financial Sector Conduct Authority ("FSCA") of South Africa with license number FSP 47857.

The Company has established a Conflicts of Interest Policy ("the Policy") pursuant to the obligations under Directive (EU) 2004/39 ("MiFID") and Directive (EU) 2014/65 ("MiFID II").

This Policy is subject to review and changes at least annually. We reserve the right to make any amendments as deemed appropriate.

## 2. SCOPE AND PURPOSE OF APPLICATION

The purpose of the Policy is to set out the rules and the principles for the identification, prevention and management of conflicts of interest that might potentially arise and adversely affect the best interest of clients.

Under the above regulatory framework, the Company is required to take all appropriate steps to identify and to prevent or manage conflicts of interest between itself, including its managers and employees, tied agents or other relevant persons, as well as any person directly or indirectly linked to them by control, and their clients or between one client and another that arise in the course of providing any investment and ancillary services or combinations thereof, including those caused by the receipt of inducements from third parties or by the investment firm's own remuneration and other incentive structures.

The Board of Directors defines, oversees and is accountable for the implementation of arrangements under this Policy that ensure the prevention of conflicts of interest, in a manner that promotes the integrity of the market and the interest of clients

## 3. IDENTIFICATION

Conflicts of interests may include any situation where either the Company or any person directly or indirectly employed, remunerated or controlled by the company and its affiliates or a client, is likely to make financial gain or avoid a financial loss, at the expense of a client.

Situations where conflicts of interest can occur include the following:

- a. The Company or a relevant person, or a person directly or indirectly linked by control to the Company, is likely to make a financial gain or avoid a financial loss, at the expense of the client;
- b. The Company, or a relevant person, or a person directly or indirectly linked by control to the Company, has an interest in the outcome of a service provided to the client, or of the transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- c. The Company or a relevant person, or a person directly or indirectly linked by control to the Company, has a financial or other incentive to favor the interest of another client or group of clients over the interests of the client;
- d. The Company or a relevant person, or a person directly or indirectly linked by control to the Company, carries on the same business as the client;
- e. The Company or a relevant person, or a person directly or indirectly linked by control to the Company, 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 money, goods or services, other than the standard commission or fee for that service.

The affected parties if conflict of interest arises can be the Company, its employees or its clients. More specifically, a conflict of interest may arise, between the following parties:

- a. Between the client and the Company;
- b. Between two clients of the Company;

- c. Between the Company and its employees;
- d. Between a client of the Company and an employee/manager of the Company;
- e. Between the Company's departments.

## **4. PREVENTION OF CONFLICTS OF INTEREST**

### **4.1. GENERAL**

We maintain and operate effective organizational and administrative procedures to manage and prevent any identified conflict of interest from constituting or giving rise to a material risk of damage to the interests of our clients.

We also undertake ongoing monitoring of business activities to ensure that these internal controls are appropriate.

The measures adopted are designed to ensure that relevant persons engaged in different business activities involving a potential conflict of interest carry on those activities at a level of independence proportionate to the size and activities of the Company, and to the materiality of the risk of damage to the interests of our clients.

The following measures have been adopted by the Company for ensuring the requisite degree of independence:

- Measures to ensure clear distinctions between the different departments' operations so as to prevent gathering of conflicting information by a single employee.
- Measures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest (i.e. by establishing a Chinese wall);
- 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. The Company's department whose interests may conflict with clients are:
  - Dealing Room;
  - Portfolio Management Department.
- Removal of any direct link between the remuneration of relevant persons principally engaged with 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:
  - Dealing room and Portfolio Management Department employees do not relate their remuneration with clients' performance.
- 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. Additionally, the person who decides or influences an individual's bonus may exert undue influence over that individual's integrity of judgment;
- Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities such as reception and transmission of clients' orders and tasks such as portfolio decision making and calculating performance;
- Restrictions on personal transactions and the measures established in connection to the personal transactions procedure;
- Segregation of Company's assets from client's assets;
- Systems and controls are in place to prevent as well as to manage conflicts of interest that cannot be prevented.

### **4.2. PORTFOLIO MANAGEMENT & RISK MANAGEMENT**

The Portfolio Management and Risk Management functions are functionally and hierarchically separated from other potentially conflicting tasks and from each other since the following conditions are satisfied:

- The relevant persons engaged in Portfolio Management are not engaged in the performance of other potentially conflicting tasks, such as controlling tasks;
- The relevant persons engaged in Risk Management are not engaged in the performance of other potentially conflicting tasks and are not supervised by persons responsible for the performance of other potentially conflicting tasks, such as operating tasks; and
- The above separation is ensured throughout the whole hierarchical structure of the Company.

### **4.3. CHINESE WALLS**

The Company has constructed adequate Chinese Walls, in accordance with the legal requirements between its departments and has established clear lines of responsibility, in order to avoid the flow of information held by a person in the course of carrying out a part of its business to be withheld from or used by persons who are in the process of carrying out another part of its business.

In particular, physical barriers have been established in order the flow of information is restricted between employees, access has been limited in relation to information and documentation and communication has been restricted between certain employees during the course of carrying out their parts of business.

In the view of the above, the following measures are applied:

- There is physical separation of the departments, as shown in the organizational structure;
- The different departments operate independently as described in the procedures of each department;
- Each department is controlled and monitored by separate individuals;
- In all events, there must be the appropriate segregation in respect of those responsibilities and functions whose exercise by one and the same individual might result in inadequate control, in the concealment of any errors or malpractices or in any abuse of powers or abusive practices apt to expose the Company or its customers to unreasonable and unacceptable risks.

### **4.4. GIFTS AND ENTERTAINMENT**

No employee shall accept or retain gifts or benefits from customers, brokers, custodians, suppliers or from any third party that has a business relationship with the Company except as follows:

- Any gifts above a monetary value of EURO 100 received by an Employee must be surrendered to the management. A decision will then be taken as to whether gifts may be retained by the recipient or by the Company. No Employee shall enter into an agreement or contract for its own account with a client or broker or custodian or supplier or any third party that has a business relationship with the Company than in the ordinary course of its affairs.
- Where an employee becomes aware of above mentioned parties intention to offer him/her a gift then he/she must immediately inform the Company and the party involved of the above prohibitions and restrictions.

Employees should not bribe clients or third parties when soliciting business. Gifts offered to clients on behalf of the Company must be pre-approved by the Compliance officer.

### **4.5. EXTERNAL ENGAGEMENTS**

Employees should not participate in outside employment whose activities are in direct or indirect competition with the Company.

Employees should give prior notice to the Compliance Officer if they wish to engage in any outside professional activity on a personal basis or for a third party.

Employees must obtain prior approval from the Compliance Officer before they commit to any engagement – whether it is paid or unpaid – on a personal basis or for a third party. Engagements include, *inter alia*:

- i. giving speeches;

- ii. serving on advisory committees;
- iii. providing consultation services;
- iv. writing professional articles.

#### **4.6. FORBIDDEN BUSINESS PRACTICES**

To prevent potential conflicts of interest between the Company, its staff and the clients of the Company, the following transaction practices shall be forbidden. All Company staff must be aware of the following forbidden transaction practices, and shall be their responsibility to inform the Compliance Officer immediately in case any of these appear:

- i. the provision to clients of investment and/or ancillary services with the purpose of influencing the price of financial instruments for the benefit of the Company or other related persons, particularly with respect to transactions that the Company or other related persons are about to effect before or after the provision of the said investment and/or ancillary services;
- ii. the use of client transaction information by the Company for own benefit or the announcement to third parties of such information;
- iii. the preferential treatment of Company staff at the expense of its clients, during the provision of the investment and/or ancillary services to a client;
- iv. the effect of transactions by members of the Company's staff and directors for their own account, or for the account of persons related to them, on the basis of confidential information which they acquire during the course of their employment with the Company.

#### **4.7. USE OF CLIENTS' FINANCIAL INSTRUMENTS**

The Company is not allowed to enter into arrangements for securities financing transactions in respect of financial instruments held by it on behalf of a client, or otherwise use such financial instruments for its own account or the account of another client of the Company, unless the following conditions are met:

- a) the client must have given his prior express consent to the use of the instruments on specified terms, as evidenced, in the case of a retail client, by his signature or equivalent alternative mechanism; and
- b) the use of that client's financial instruments must be restricted to the specified terms to which the client consents.

The Company is not allowed to enter into arrangements for securities financing transactions in respect of financial instruments which are held on behalf of a client in an omnibus account maintained by a third party, or otherwise use financial instruments held in such an account for its own account or for the account of another client unless, in addition to the above conditions at least one of the following conditions is met:

- a) each client whose financial instruments are held together in an omnibus account must have given prior express consent (by his signature or equivalent alternative mechanism); and
- b) the Company must have in place systems and controls which ensure that only financial instruments belonging to clients who have given prior express consent are so used.

### **5. DISCLOSURE**

In cases where, the measures taken by the Company to manage conflicts of interests are not sufficient and some residual risk of detriment to the client's interests nonetheless remains, the Company, prior to undertaking investment business on behalf of the client, shall make clear disclosure to the client of the general nature and/or sources of conflicts of interest and the steps taken to mitigate those risks.

Disclosure may only be used as a measure of last resort. If the Company relies on disclosure, it is required to clearly state that the organizational and administrative arrangements established by the firm to prevent or manage

conflicts are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented.

Disclosure shall meet the following requirements:

- It shall be made on a durable medium;
- It shall be tailored to the clients to whom they are addressed. For this reason, it shall mention the specific conflict(s) that arises for that client type and/or category of service; and
- It shall include sufficient details to enable the client to make an informed decision with respect to the service in the context of which the conflict arises. This will be met when the disclosure includes at least the following:
  - A specific description of the conflict of interest under question, taking into account the nature of the client to whom the disclosure is made;
  - Detailed explanation of the nature and/or sources of conflicts of interests, as well as the risks to the client that arise as a result of the conflict and the steps taken to mitigate these risks; and
  - Clear statement that the organizational and administrative arrangements established by the Company to prevent or manage that conflict are not sufficient to ensure with reasonable confidence, that the risk of damage to the interests of the client will be prevented.

**Declining to Act:** If the Company determines that it is unable to manage a conflict of interest using one of the methods described above, the Company declines to act on behalf of the client concerned.

## 6. RESPONSIBILITIES OF THE SENIOR MANAGEMENT

With regards to the prevention and management of conflicts of interests, the Senior Management of the Company is required to:

- Engage in the implementation of policies, procedures and arrangements for the identification, management and ongoing monitoring of conflicts of interest;
- Fully adopt a holistic view to ensure the identification of potential and emerging conflicts within and across business lines and to ensure that informed judgements are made with respect to materiality;
- Raise awareness and ensure compliance of relevant individuals by ensuring: regular training (including to contractors and third-party service providers' staff) both at induction and in the form of refresher training; the clear communication of policies, procedures and expectations; that awareness of conflicts procedures forms part of the performance review/appraisal process, and that the best practice is shared throughout the Company;
- Sponsor robust systems and controls and effective regular reviews to ensure that strategies and controls used to manage and mitigate risks remain appropriate and effective and that appropriate warnings and disclosures are issued to clients where necessary;
- Utilize management information to remain sufficiently up-to-date and informed; and
- Support an independent review of the processes and procedures in place.

## 7. REPORTING CONFLICTS OF INTEREST

In the case a possible conflict of interest is identified, an employee must refer it initially to his immediate supervisor to assist in the assessment of a material risk of damage and send a completed Notification Form together with full details to allow regulatory scrutiny, of:

- Corrective and preventive actions;
- How these actions were considered appropriate;
- Any conditions imposed; and
- Whether there are still ongoing conflicts, how these are being managed and advised to the client.

Any conflict of interest shall be reported to the Company's CEO and Compliance Officer.

## **8. CONFLICTS OF INTEREST AND REMUNERATION**

The remuneration of the persons providing the Portfolio Management and Investment Advice services will be fixed without any correlation between their remuneration and the provision of the said services to avoid the creation of conflicts of interests potentially detrimental to the clients of the Company.

## **9. RECORD-KEEPING**

In accordance with the requirements of the CySEC, the Company maintains records of the investments and ancillary services carried out by the Company or on its behalf from which a conflict of interest may arise.

It is duty of the Compliance Officer to maintain and monitor such records.