

## ADMIRAL MARKETS UK LTD CONFLICT OF INTEREST POLICY

Effective as of 30th January 2018

### 1. Introduction

1.1 Under the FCA's Principle for Business, Principle 8 (Conflicts of Interest) Admiral Markets UK Ltd ("the Firm") is required to pay due regard to the interests of each customer and to manage any conflicts of interest fairly, both between itself and the group it belongs to and its customers and between a customer and another client. The specific rules for dealing with conflicts of interest can be found under the Senior Management Systems and Controls (SYSC) rules which can be found at SYSC 10.1 onwards.

1.2 In addition, the Firm has taken the following FCA principles into consideration:

- Principle 1. Integrity: a firm must conduct its business with integrity.
- Principle 2. Skill, care and diligence: A firm must conduct its business with due skill, care and diligence.
- Principle 3. Management and control: A firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.
- Principle 4. Client Interests: A firm must pay due regard to the interests of its clients and treat them fairly.

1.3 The Firm issues this Conflicts of Interest Policy ("Policy") for the purposes described above and in order to address the specific requirements relating to conflicts of interest set out in FCA Principle for Business 8 and Chapters 4 (General Organisational Requirements) and 10 (Conflicts of Interest) of the FCA's Senior Management Arrangements, Systems and Controls sourcebook (SYSC) and specific requirements of the Markets in Financial Instruments Directive ("MiFID II").

1.4 SYSC 4 and SYSC 10 require the establishment of an effective framework to identify, prevent, control and review conflicts of interest and to implement and maintain an effective conflicts of interest policy which is proportionate to the nature, scale and complexity of its business. The Conduct of Business Sourcebook (COBS) of the FCA handbook separately specifies detailed rules governing the purchase of goods and services using clients' money and the allocation of investment opportunities between clients, each of which is relevant to the proper management of conflicts of interest.

1.5 MiFID and SYSC 10, in effect, require the Firm to maintain and operate effective administrative arrangements with a view to taking all appropriate steps to identify, monitor, manage and prevent conflicts of interest between firms, their managers, employees and tied agents, or any person directly or indirectly linked to them by control and their clients or between one client and another client 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 firm's own remuneration or incentive structures.

#### 1.6 The purpose of the Conflicts of Interest Policy is to:

- identify any potential circumstance which may give rise to conflicts of interest, and which pose a material risk of damage to customer's interests;
- establish appropriate mechanisms and systems to manage those conflicts;
- maintain systems in an effort to prevent actual damage to customer's interests through the identified conflicts

### 2. What is a Conflict of Interest?

2.1 Conflicts of interest appear in situations where the Firm or any member of the group of companies the Firm belongs to or any relevant 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; or
- 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 monies, goods or services, other than the standard commission or fee for that service.

The examples above are not exhaustive, however, and represent only those circumstances where the authorities expect that a conflict may arise (and that, accordingly, due consideration will be given by the Firm). Accordingly, any analysis of conflicts of interest should be applied objectively and widely in order to ensure the best possible result for the client.

2.2 The Firm has sought to identify conflicts of interest that exist in its business and has put in place measures it considers appropriate to the relevant conflict in an effort to monitor, manage and control the potential impact of those conflicts on its customer. The conflicts identified include:

- those between customers with competing interests;
- those between customers and the Firm or where their respective interests in a particular outcome may be different;
- those between the personal interests of staff of the Firm or members of its group and the interests of the Firm or its customers where those interests may be different;

2.3 The nature of the Firm's business is such that there is very limited potential for conflict of interest between staff and client dealings. The Firm provides access to an online trading platform and provides "execution only" OTC trading services. It does not undertake proprietary trading, or corporate finance business, where potential conflicts may arise. Customers trade online with the Firm, which acts in all dealings with clients on a matched principal broker basis. Trades are entered into by the Firm on a back to back basis with its liquidity provider, Admiral Markets AS.

2.4 The Firm has adopted a number of internal policies and procedures, often set out in its Compliance Manual, in order to manage recognised conflicts of interest. These will be subject to the Firm's normal monitoring and review processes.

2.5 The Firm strives to ensure that the performance of multiple functions by its relevant persons does not and is not likely to prevent those persons from discharging any particular functions soundly, honestly and professionally. Our policies concerning the segregation of duties within the Firm and the prevention of conflicts of interest are laid out below. The Firm is aware that effective segregation of duties is an important element in the internal controls of a firm in the prudential context. In particular, it helps to ensure that no one individual is completely free to commit the Firm's assets or incur liabilities on its behalf. Segregation also helps to ensure that the Firm's governing body receives objective and accurate information on financial performance, the risks faced by the Firm and the adequacy of its systems.

2.6 The Firm ensures that, in general, no single individual has unrestricted authority to do all of the following:

- initiate a transaction;
- bind the firm;
- make payments;
- and account for it.

2.7 Where the Firm is unable to ensure the complete segregation of duties due to its limited employee base, it has adequate compensating controls in place, including the frequent review of an area by relevant senior managers.

2.8 The Firm ensures that its relevant persons are aware of the procedures which must be followed for the proper discharge of their responsibilities.

### **3. Managing Conflicts**

3.1 The measures for dealing with conflicts are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest carry on those activities at a level of independence, appropriate to the size and activities of the Firm and of any group to which it belongs

and to the materiality of the risk of damage to the interests of clients.

3.2 The Firm employs a number of organisational and administrative techniques to manage and moderate identified conflicts, including:

- Information barriers: using physical and electronic barriers to stop and control the flow of information between certain parts of the business;
- Training: internal guidance and training is given to employees ensuring they are familiar with and observe the FCA's Principles for Businesses and Firm policies, and how to identify and manage conflicts of interest;
- Reporting and escalation: employees are required to consider conflicts of interest, and the Firm's responsibility in respect of them, when carrying out their duties. Where an actual or potential conflict of interest is identified, it shall be notified to the Firm's Compliance department who will consider such actual or potential conflict in light of this Policy and address as appropriate;
- Record keeping: the Conflicts Register is an up-to-date record of the identified conflicts of interest and sets out the mitigation techniques for each conflict;
- Additional Firm policies: the Firm maintains a number of other policies which address conflicts, at all levels, within the Firm. These include, personal account dealing, corporate hospitality, and best execution;
- Remuneration: Remuneration is overseen by the Board.
- Disclosure: the Firm will only rely on disclosure of a conflict of interest where the organisational and administrative arrangements in place are not sufficient to ensure, with reasonable confidence, that risks of damage to the interest of a client will be prevented. Such conflict will be disclosed before undertaking the relevant investment business and will detail the general nature or sources of conflicts of interest or both, and the steps taken to mitigate those risks.
- Product governance: conflicts of interest will be considered as part of any new product approval process and as part of ongoing product governance assessments, e.g. so as to ensure the product's suitability through the lifecycle of the relevant product or service;
- Prohibition of the activity that gives rise to the conflict of interest in situations where the conflict cannot be appropriately managed in the client's interests.

3.3 Examples of types of procedures for managing conflicts:

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. Information circulates on a need-to-know basis.

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 the firm.

Where required, the Firm also manages conflicts of interest by the establishment and maintenance of internal arrangements restricting the movement of information within the Firm. This requires information held by a person in the course of carrying on one part of our business to be withheld from (or not to be used by) persons with or for whom we act in the course of carrying on another part of our business. Such an arrangement is referred to as a Chinese Wall and can include hierarchical separation and physical barriers between the activities likely to involve conflicts of interest, thereby aiming to prevent any undue transmission of information.

Where there is no other means of managing the conflict or where the measures in place do not, in the Firm's opinion, sufficiently protect the interests of the customer, the conflict of interest should be disclosed to the customer to enable an informed decision to be made by the customer as to whether they wish to continue doing business with the Firm in that particular situation.

3.4 Where the Firm considers it is not able to manage the conflict of interest in any other way, it may decline to act for the customer.

3.5 The Firm monitors and regularly evaluates the adequacy and effectiveness of its systems, internal control mechanisms and arrangements in relation to conflicts of interest and will take appropriate measures to implement such measures as may be required.