

# Conflicts of Interest Policy

## I. Purpose

The purpose of this Conflicts of Interest Policy ("the Policy") is to specify the procedures put in place by Capital Com (UK) Limited ("we", "CAPITAL.COM", "the Company"), for identifying and responsibly managing, controlling and, where necessary, disclosing the conflicts of interests arising in relation to our business.

This Policy is put in place by CAPITAL.COM to ensure that we comply with relevant legal and regulatory requirements, as well as the departmental and general internal procedures outlined in our Internal Procedures Manual.

This Policy is not intended to create third party rights or duties that would not exist in the absence of the Policy.

This Policy discusses the main sources of conflicts of interest arising, however, it may not cover all eventualities and all circumstances that may be encountered. Where circumstances are not covered by this Policy, input should be sought from the Compliance Officer.

## II. Legal Framework

The regulatory framework in place regarding the Company's obligations related to the existence of conflicts of interest and the communication of costs and charges comprise the following legislation:

- Directive 2014/65 EU (hereafter "the MiFID II") issued by the European Parliament and the Council of the European Union;
- Section 34 of the Commission's Delegated Regulation (EU)2017/565 of 25 April 2016, supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (hereinafter "the Delegated Regulation");
- Chapter 10 of SYSC (Senior Management Arrangements, Systems and controls) regarding Conflicts of Interest;
- ESMA Questions and Answers (hereafter "ESMA's Q&A") on MiFID II and MiFIR investor protection topics issued on 06 June 2017;

- ESMA's Technical Advice ESMA 2014/1569 to the Commission on MiFID II and MiFIR issued on 19 December 2014 (hereafter "Technical Advice ESMA");
- ESMA's Questions and Answers relating to the provision of CFDs and other speculative products to retail investors under MiFID (hereafter "ESMA's Q&A on MiFID I");
- ESMA Guidelines on remuneration policies and practises issued on 11 June 2013 (hereafter "ESMA Guidelines on remuneration practises").

According to the aforesaid legislation, the Company is required to maintain and operate effective organisational and administrative arrangements with a view to taking all appropriate steps to identify and prevent conflict of interest.

### **III. Scope:**

The Policy applies to all directors, managers, employees or any person directly or indirectly linked to the Company by control (hereinafter "relevant persons") and refers to all interactions with all clients or between one client and another client, that may 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 and other incentive measures, which adversely affect the interest of the Company's clients.

### **IV. The Policy**

#### **1. Identifying a Conflict of Interest**

CAPITAL.COM defines a conflict of interest as any situation where either the Company or an individual is in a position to exploit a professional or official capacity in some way for either corporate or personal benefit.

For example, a conflict of interest is present if there is a potential for the personal interests of an employee to clash with his/her fiduciary duties. A conflict of interest may exist even if no unethical or improper act results, but there is the potential for the appearance of impropriety, which can undermine confidence in the Company.

#### **2. Affected Parties**

The affected parties if a conflict of interest arises can be the Company, the Company's associates (which could be group entities, service providers and/or affiliates), our employees or our clients. More specifically, a conflict of interest may arise, between:

- our client and us;
- two of our clients;
- us and our employees;
- our client and our employee/manager;
- our departments.
- Our clients and our associates
- Us and our associates.

While it is not feasible to define precisely or create an exhaustive list of all relevant conflicts of interest that may arise, as per the current nature, scale and complexity of the CAPITAL.COMs business, the following list includes circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more of our clients:

- i. CAPITAL.COM or a relevant person, or associate, or a person (in)directly linked by control to CAPITAL.COM, is likely to make a financial gain, or avoid a financial loss at the expense of our client;
- ii. CAPITAL.COM or a relevant person, or associate, or a person (in)directly linked by control to CAPITAL.COM, has an interest in the outcome of a service provided to our client, or of the transaction carried out on behalf of our client, which is distinct from the client's interest in that outcome;
- iii. CAPITAL.COM or a relevant person, or associate, or a person (in)directly linked by control to CAPITAL.COM, has a financial or other incentive to favour the interest of one client or group of clients over the interests of another client;
- iv. CAPITAL.COM or a relevant person, or associate, or a person (in)directly linked by control to CAPITAL.COM, carries on the same business as our client;
- v. CAPITAL.COM or a relevant person, or associate, or a person (in)directly linked by control to CAPITAL.COM, receives or will receive from a person other than our client an inducement in relation to a service provided to our client, in the form of monies, goods or services, other than the standard commission or fee for that service.

\*The above are only indicative areas of potential conflicts of interest.

A relevant person in relation to CAPITAL.COM would be:

- i. a member of the Board of Directors, partner or equivalent, manager of CAPITAL.COM;
- ii. an employee of CAPITAL.COM, as well as any other individual whose services are placed at the disposal and under the control of CAPITAL.COM and who is involved in the provision of services to clients by CAPITAL.COM;
- iii. an individual who is directly involved in the provision of services to CAPITAL.COM under an outsourcing arrangement for the purpose of the provision of services to clients by CAPITAL.COM.

### 3. Employees of the Company

This Policy applies to all of our permanent staff (both full time, direct or seconded or other relevant staff within the CAPITAL.COM group at large) as well as short-term and long-term contractors (collectively referred to as "employees" in this Policy). All employees of CAPITAL.COM must, upon commencement of their employment read and fully understand the Policy. All our employees are obliged to register their acceptance of having read and understood the Policy in a register, which is to be filed and managed by the Compliance Officer of the Company.

### 4. Reporting Conflicts of Interest

As a general rule, our staff should always be alert to potential conflicts of interest. Any employee that suspects any conflict of interest must immediately inform his direct supervisor who shall subsequently report the case to the Compliance Officer so that together they can provide assistance in the assessment of a material risk of damage and discuss and decide on:

- i. corrective and preventive actions;
- ii. how these actions were considered appropriate;
- iii. any conditions imposed; and
- iv. whether there are still ongoing conflicts, how these are being managed and advised to the client;

- v. to the Compliance Officer for inclusion within the reports to be reviewed by the Board of Directors and such forms will be kept in storage.

## 5. Management of Conflicts of Interest

### A. *Independence*

Situations may arise where it is appropriate to manage conflicts of interest by requiring our employees to adhere to and observe a certain degree of independence. The following measures have been adopted by CAPITAL.COM for ensuring the requisite degree of independence:

- i. 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);
- ii. separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, our clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Company. CAPITAL.COMs department that may have a conflict with our clients is the Dealing Room;
- iii. 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 employees do not relate their remuneration to our clients' performance; whilst Sales/retention employees' variable remuneration comprises both qualitative and quantitative criteria.
- iv. measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out 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;
- v. measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate services or activities such as reception and transmission of clients' orders.

### B. *Personal Transactions of Employees*

All employees of CAPITAL.COM must be aware of the restrictions on personal transactions detailed below. This section also includes personal transactions which may be performed by persons who are employed by companies which perform an outsourced activity to the Company. If any prohibited personal transactions are entered into, the Company must be notified promptly.

Employees of CAPITAL.COM that are involved in the provision of investment services or other activities must not enter the personal transactions that which will cause the following:

- i. enter a transaction prohibited under section 9 of the Market Abuse Law; and/or
- ii. misuse or cause improper disclosure of confidential information; and/or
- iii. enter a transaction that is likely to conflict with any obligations of the Company, or the employee, that are stated under law.

Where our employee has come into contact with information which is not publicly available to our clients or cannot readily be inferred from information that is so available, the employees must not act or undertake personal transactions or trade, other than as acting in good faith and in the ordinary course of our services to our clients, or on behalf of any other person, including the Company.

The employees must not disclose any opinion other than in the normal course of business, if the person who is given the opinion is likely to enter a transaction which is contrary to the above. The employee also should not provide advice or provide to anyone any information, other than in the proper course of his/her employment, especially if it is clear that the person who is receiving such information will advise another party who might acquire or dispose of financial instruments to which that information relates.

Any client orders that have been relayed to any employees of CAPITAL.COM must not be disclosed to another party. An employee of CAPITAL.COM who has knowledge of a potential client order must not carry out a personal transaction that is the same as the client order, if this will cause a conflict of interest.

### *C. Remuneration Practices*

The Company recognizes that remuneration is a factor that may influence the conduct of its Employees. The Company has in place remuneration policy and procedures which set out appropriate governance to prevent remuneration structures which may incentivize an Employee to act contrary to their responsibilities or regulatory requirements. The respective Policy shall be designed in such a way so as to not create a conflict of interest that may lead relevant persons to favour their own interests or the Company's interest to the potential detriment of any client.

Remuneration policies and Practises shall, *inter alia*, include the following:

- i Be designed in such a way so as not to create a conflict of interest or incentive that may lead relevant persons to favour their own interests or the firm's interests to the potential detriment of any client;
- ii Apply to all relevant person with an impact, directly or indirectly, on investment and ancillary services provided by the investment firm or on its corporate behaviour, regardless of the type of clients, to the extent that the remuneration of such person and similar incentives may create a conflict of interest that encourage them to acts against the interest of any of the Company's clients.
- iii Be approved by the management body, taking advice from the Company's Compliance Officer or member of the legal department of the Firm. The senior management will also be responsible for the day-to-day implementation of the Policy;
- iv Remuneration and similar incentives shall not be solely or predominantly based on quantitative commercial criteria, and shall take fully into account appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients and the quality of services provided to the clients; and
- v A balance between fixed and variable components of remuneration shall be maintained at all times so that the remuneration structure does not favour the interests of the investment firm or its relevant persons against the interest of any client.

The management body of the Company shall approve the Company's remuneration policy which should be daily implemented and also the related compliance risks shall be monitored.

#### D. Costs and Charges:

The Company shall provide to its client's appropriate information in good time with regards to all costs and charges.

#### E. *Chinese Walls, Confidential & Inside Information*

Chinese walls, confidential information, inside information, and conflicts of interest are closely interconnected in the sense that confidential information can on occasion constitute inside information. In addition, having access to either confidential or inside information can lead to acting or giving the appearance of acting in the presence of a conflict of interest.

Chinese walls are essentially information barriers which are used to prevent inside or highly confidential information possessed by one part of the business from being inappropriately passed to, or obtained by, another part of the business. The Chinese wall effect is usually gained through allowing no communicating of information and data between the various business units so as to prevent the flow of confidential information in a way that adversely affects the interest of the clients. When a Chinese wall is used as a way of managing conflicts of interests, individuals on the other side of the wall will not be regarded as being in possession of knowledge denied to them as a result of the Chinese wall.

Confidential information is non-public information provided by an external source (such as a client or other third party) with the expectation that the information will be kept confidential and used solely for the purpose it was provided. Examples include personal information; client orders/trades/positions; restructuring plans; etc. Confidential information can be in various forms, including oral, written, electronic, computer files and etc.

CAPITAL.COM ensures that the key principles for the dissemination of confidential information are communicated to all of its employees. These key principles include the 'need to know' principle and respect for any confidentiality or non-disclosure agreement signed with our client.

All CAPITAL.COM employees must understand that they should treat confidential information with due care and that they have a duty to safeguard confidential information, whether obtained from those with



whom we do business or from within the Company. All such information must only be used for its intended purpose and must not be used for any personal employee's benefit or the Company's general benefit.

Confidential information must only be used for the specific purpose or transaction for which it was given and must be circulated on a strict 'need to know' basis. When giving information, the recipient(s) should be clearly informed about the nature of the information.

'Need to know' means that communication of confidential information shall not take place unless strictly required for the proper discharge of the employee's function, and not contrary to the terms of any confidentiality agreement, unless disclosure is required by law. The 'need to know' principle applies to both sides of the Chinese wall and every employee whether an insider or not.

Operations & IT systems must also be constrained to reflect these key principles. Additionally, to help preserve confidential information, measures such as a clear desk policy and safe storage systems must be observed. Further measures include a requirement for all consultants and contractors to sign a confidentiality agreement.

Records must be kept in relation to any personal transactions involving misuse or improper disclosure of confidential information which are notified to the Company or identified by it, including any authorisation or prohibition in connection with such transaction.

Inside information is a certain type of confidential information that is both material and highly sensitive. It is information of a precise nature which has not been made public relating directly or indirectly to one or more financial instruments and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments. The benchmark is whether the reasonable investor would be likely to take this information into account in making his investment decision. All the responsibilities regarding confidential information detailed above also apply to inside information.

For persons charged with the execution of orders concerning financial instruments, "inside information" also means information conveyed by a client and related to the client's pending orders, which is of a precise nature, which relates directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments, and which,

if it were made public, would be likely to have a significant effect on the prices of those financial instruments.

Information shall be deemed as having been "made public" when there occurs one, or more of the following situations:

- i. it in any way comes into the knowledge of the investors, inside or outside the Republic of Cyprus, or it may be easily and legally obtained;
- ii. it is included in archives or other documents by statute available to the public for inspection;
- iii. it has been derived from information that has been made public even if it may be obtained on the basis of information made public only by persons exercising special diligence or expertise or it may be obtained on the basis of information made public only.

Information shall be deemed to be of a precise nature if it indicates a set of circumstances which exists or may reasonably be expected to come into existence or an event which has occurred or may reasonably be expected to do so and if it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of financial instruments.

Through this Policy, our employees are expected to know what action to take when they are – or think they are – in possession of inside information. This includes a requirement to inform the Compliance Officer when they are in receipt of inside information.

#### *F. Organisational or Administrative Arrangements and Disclosure of Conflict of Interest*

When the measures taken by CAPITAL.COM to manage conflicts of interest are not sufficient to ensure, with reasonable confidence that risks of damage to clients' interest will be prevented, CAPITAL.COM, as a measure of last resort, proceeds with the disclosure of conflicts of interest to our client. Prior to carrying out a transaction or providing a service to a client, CAPITAL.COM must disclose any actual or potential conflict of interest to the client. The disclosure will be made in sufficient time and in a durable means and shall include sufficient detail (taking into account the nature of the client to whom the disclosure is being made) and specific description of the conflicts of interest that arise. 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, shall be described in order to enable him/her to take an informed decision with services of CAPITAL.COM in the context of which the conflict of interest arises.

Clients will be given the opportunity to decide on whether or not to continue their relationship with us with no unreasonable obstacles.

#### *G. Record Keeping*

CAPITAL.COM keeps and regularly updates a record of services carried out by or on behalf of the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service, may arise. The following documentation shall be maintained for a minimum period of 5 (five) years:

- i. this Policy, any functional variations if applicable;
- ii. training material and training records;
- iii. Notifications made by employees
- iv. Conflicts of interest registry;;
- v. details of any review work carried out (including any decisions made on conflicts management);
- vi. any other documentation used to demonstrate the management of conflicts of interest.

The Company keeps and regularly updates 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 records of such conflicts shall also include management reports in order for the Company to be in a position to disclose to its clients any case that its organizational and administrative arrangements are not sufficient to protect the client. This may suggest for the first time that investment firms will be required to disclose to their clients that the firms are not doing enough to manage their conflicts effectively.

#### *H. Responsibilities*

The Company's *Chief Executive Officer* is responsible for clearly allocating responsibility and delegating authority to accountable

individuals to ensure that those involved are aware of their involvement and that the Company's Compliance Officer has a sufficient level of authority and independence in order to carry out his/her responsibilities effectively.

The Company's *Board of Directors* is required to:

- i. fully engage in the implementation of this Policy, procedures and arrangements for the identification, management and ongoing monitoring of conflicts of interest;
- ii. adopt a holistic view to ensure the identification of potential and emerging conflicts within and across business lines and to ensure that informed judgments are made with respect to materiality;
- iii. raise awareness and ensure compliance of relevant individuals by ensuring: regular training (including, if necessary, the staff of contractors and third-party service providers') both at induction and in the form of refresher training; the clear communication of this Policy, procedures and expectations; that awareness of conflicts procedures forms part of the performance review/appraisal process, and that the best practice is shared throughout CAPITAL.COM;
- iv. 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;
- v. utilize management information to remain sufficiently up-to-date and informed; and
- vi. support an independent review of the processes and procedures in place.

*Employees are required to identify new conflicts of interest arising out of the activities/services that they perform and engage in the process to notify line management upon identifying any potential conflict.*

The Company's officer responsible for the day to day management of the implementation of this Policy is the Compliance Officer. In particular, he/she, or his/her delegate, is responsible for:

- i. establishing the Policy in relation to conflicts of interest;
- ii. providing training oversight and aid;
- iii. monitoring compliance with arrangements;
- iv. the oversight of conflicts management;
- v. maintaining records in relation to conflicts of interest;

- vi. providing appropriate internal reporting to the Board of Directors.

Where line management cannot resolve a conflict to the satisfaction of all parties, the Compliance Officer will have the final say.

## **V. Ownership & Maintenance**

The ownership and maintenance of this Policy is the responsibility of the Compliance Officer. This Policy is reviewed from time to time to take account of changes to operations or practices and, further, to make sure it remains appropriate to any changes in law, technology and the general business environment. When reissued, changes will be highlighted so that the employees are aware of the amendments.

Where policy changes are made in the interim, these will be either:

- edited within the body of the Policy; or
- if significant, added into the appendices of the guidance document as per existing processes and the body of the document will be edited to refer to the relevant appendix in order to make changes clear. These appendices will then be consolidated into this Policy, where appropriate, when it is reviewed.

### *Gifts*

CAPITAL.COM employees may not, directly or indirectly, give or permit to be given, anything of value, including gifts, gratuities, use of property or other goods or services to any client that is business related. This policy applies even if the employee pays for the gift personally and does not seek reimbursement from the firm. CAPITAL.COM employees may not accept or allow family members to accept, in the context of their employment with the Company, any benefit, including hospitality and gifts, from any person that does business with the Company that is excessive because of its nature, cost or frequency.

## **VI. AMENDMENT OF POLICY AND ADDITIONAL INFORMATION**

The Company reserves the right to review and/or amend this Policy and arrangements whenever it deems this appropriate. Any material changes in regard to the Conflicts of Interest Policy will be communicated to the client in order for him/her to consent to the updates made.

Any queries about this Policy's application in relation to any aspect of conflicts of interest should be directed to the Compliance Officer at [support@capital.com](mailto:support@capital.com).

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