



Conflict of interest Policy

1. Introduction

Under the FCA's Principle for Business, Principle 8 (Conflicts of Interest) Louis Capital Markets UK LLP is required to pay due regard to the interests of each customer and to manage any conflicts of interest fairly, both between itself 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. For France, please refer to the RGAMF rules (Sec. 313.18 to 313-24) and the Code Monetaire et Financier (Sec. L533.10 onward).

Purpose of the Conflicts of Interest Policy

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

2. What is a Conflict of Interest?

Conflicts of interest appear in situations where LCM:

- (a) is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- (b) 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;
- (c) has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- (d) carries on the same business as the client; or
- (e) 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.

LCM 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:

- (a) those between customers with competing interests;
- (b) those between customers and LCM where their respective interests in a particular outcome may be different;
- (c) those between the personal interests of staff of LCM and the interests of LCM or its customers where those interests may be different;



LCM has adopted numerous internal policies and procedures, often set out in its Compliance Manual, in order to manage recognised conflicts of interest. These will be subject to LCM's normal monitoring and review processes and include:

(a) Customer Orders

In order to ensure as fair treatment as possible for customers, the LCM Execution Policy requires LCM to take all reasonable steps to achieve the best overall trading result for customers.

On some occasions customer orders may have a material effect on the relevant securities price. In order to ensure LCM staff do not take advantage of the situation by dealing on their own account (PA Dealing) or encourage a third party to deal, LCM operates a "No front running" policy.

The above policy is contained in the LCM Compliance Manual, which all staff are provided with and confirm receipt of. LCM monitors its business in order to ensure we meet the requirements

(b) Personal Account Dealing

LCM operates a personal account dealing regime and the rules are signed off as understood by all relevant employees regardless of their position within the company.

Staff may not deal the same way for personal accounts as a customer order or potential order before it is executed or where a customer's interest could be adversely affected.

(c) Investment Research and Advice

LCM takes reasonable care to ensure that any research recommendation produced or disseminated by it is fairly presented and that all authors remain objective and impartial in all written communications. Should it become necessary, LCM will disclose its interests or indicate any conflicts of interest concerning relevant investments.

(d) Inducements to Employees from Customers

Employees are not allowed to accept gifts, entertainment or any other inducement from any person which might benefit one customer at the expense of others when conducting investment business. An example would be where one customer offers to pay more commission to obtain priority or better execution terms.

Similarly, LCM employees are not allowed to place undue pressure on customers to persuade them to trade through the Firm to the extent that this gives rise to a conflict of interest between that customer and another customer.

(e) Segregation of Duties

LCM 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.

LCM 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.

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

1. initiate a transaction;
2. bind the firm;
3. make payments; and
4. account for it.

Where LCM 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.

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

(f) Remuneration Policy

All relevant staff who are open to a conflict of interest are paid a basic salary, including those who hold key support areas such as Compliance, Finance and Operations. This salary is not dependent on company performance.

A bonus structure exists which is linked to company performance, team performance or the individuals performance. It is at the discretion of the senior management and notified only on payment. Sales members of staff receive a percentage of their fee income ('draw and bonus' scheme). This percentage represents a pre-agreed proportion of their net revenues and is subject to adherence with the Firm's strict procedures, guidelines and principles.

(g) Disclosure

As a last resort, where there is no other means of managing the conflict or where the measures in place do not, in LCM'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 LCM in that particular situation.

(h) Declining to Act

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

3 Managing Conflicts

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.

Examples of types of procedures for managing conflicts:

1. 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 interest(s) of one or more clients.
2. 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.

4 Chinese Walls

LCM 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.

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 address any deficiencies.