

# Freight Investor Services Limited

## Conflicts of Interest Policy

### 1. Background

Freight Investor Services Limited, its associated offices (“FIS”, “We”, “Our”, “Us” and the “Firm”) and its staff face actual and potential Conflicts of Interest in the course of carrying out our regulated business. FIS is committed to acting with integrity and maintaining the highest professional standards and principles in providing services to its clients. The interests of our clients must always come ahead of our own.

FIS conducts its business in accordance with the Monetary Authority of Singapore (“MAS”) guidelines and the Financial Conduct Authority’s (“FCA”) Principles for Business, including Principle 8, which requires the Firm to manage conflicts of interest fairly, both between itself and its clients and between one client and another.

Further rules relating to conflicts of interest are contained in the Markets in Financial Instruments Directive II (“MiFID II”), the MiFID II Delegated Regulation (the “MiFID II DR”) and SYSC 10 of the FCA rulebook. Rules in MiFID II and the MiFID II DR require FIS to maintain and operate effective organisational and administrative arrangements with a view to taking all appropriate steps to identify and to prevent or manage conflicts of interest from adversely affecting the interests of its clients.

### 2. Purpose

The purpose of this Conflicts of Interest Policy under Article 34 (2) of MiFID II is:

- a. To identify, by reference to the specific services and activities carried out by (or on behalf of) the Firm, the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients; and
- b. To specify procedures to be followed and measures to be adopted in order to manage such conflicts; and
- c. To communicate this information to all those who are in the Firm.

It is the responsibility of all staff members to familiarise themselves with the contents of this Policy and report conflicts of interest to the Compliance Department using the appropriate channels.

### 3. Summary of Requirements

#### a) *Identifying and Preventing Conflicts*

Article 23 requires a firm to take all appropriate steps to identify and to prevent or manage conflicts of interest between:

1. The Firm (including its managers, employees, or any person directly or indirectly linked to them by control) and a client of the Firm; or
2. One client of the Firm and another client;
3. That arise or may arise in the course of the Firm providing any services in the course of carrying on regulated activities, including those caused by the receipt of inducements from third parties

#### b) *Types of Conflict*

Article 33 of MiFID II sets out that, for the purpose of identifying the types of conflict that arise in the course of providing a service, and, where there may be a material risk of damage to the interests of a client, the Firm must take into account certain issues. It must consider as a minimum, whether the Firm or a relevant person or a person directly or indirectly linked by control to the Firm:

1. Is likely to make a financial gain or avoid a financial loss at the expense of the client;
2. 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;
3. Has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
4. Carries on the same business as the client;
5. 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.

#### c) *Segregation of functions*

The senior management of the Firm should, where appropriate segregate duties so as to avoid conflicts of interest.

*d) Disclosure of conflicts to clients*

Article 23 (2) of MiFID II requires that, where the arrangements made by the firm are not sufficient to ensure, with reasonable confidence, that the risk of damage to the client will be prevented a clear disclosure to the client must be made. This disclosure must:

1. Describe, in a durable medium, the general nature and source of the conflict of interest to the client before undertaking business for the client; and
2. Explain the risks that arise as a result of the conflict of interests and the steps taken to mitigate these risks; and
3. Provide sufficient detail to enable that particular client to make an informed decision in relation to the service in the context of which the conflict arises.

It is important to note that a disclosure may be made only as a matter of last resort after all other options to successfully mitigate the conflict of interest have been exhausted. In any event, the Firm will always disclose to clients that in relation to base metals trading on the LME, that it may fulfil orders both from the market and its own books both generally and on an individual client order basis.

*e) Responsibilities of Staff Members*

It is the responsibility of all employees to familiarise themselves with this Policy and to report conflicts of interest via the Conflict of Interest Disclosure form to their line manager who will in turn report them to the Compliance Department. Failure to adhere to this policy may be held to be a breach of an employee's contract.

Overall responsibility for Conflicts of Interest lies with the Board. The Compliance Officer is responsible for the day-to-day administration of the Policy.

The Compliance Officer will work with line management to identify and prevent Conflicts of Interest, record conflicts and the mitigating action in the Conflicts Register and report the situation to the Board for consideration. Additionally, the Compliance officer will ensure that this Conflicts of Interest Policy is reviewed at least annually as stipulated in Article 34 (5).

The Board, via the Compliance Department, has responsibility for ensuring that staff are aware of the aspects of the Policy relevant to them.



All staff have a responsibility for carrying out aspects of the policy that are relevant to them.

#### **4. Situations in which Conflicts of Interest could arise**

The purpose of this section is to set out typical situations in which conflicts of interest may arise and are managed in the course of the Firm's day-to-day business, so that employees are better equipped to identify, report and assist in eliminating or managing conflicts.

*a) Potential misuse of information*

**Potential conflict**

Members of staff of the Firm may come into possession of material non-public information. The improper use of such information by staff members could cause a conflict with the interests of the Firm's clients, or between the interests of the Firm's clients, and may also be unlawful.

**Method of managing/avoiding conflict**

The Firm manages these risks by maintaining and following policies and procedures to prevent the misuse of material non-public information. These procedures have been designed to prevent and detect any insider trading, taking into account the nature of the Firm's business and the instruments typically traded. The Firm has also implemented procedures to manage the risks of Insider Dealing, including using the Compliance Department as a "Gatekeeper" to clear any Inside Information based conflicts, the use of restricted/Insider Lists and deal monitoring.

*b) Inappropriate flow of information*

**Potential conflict**

In relation to Article 34 (3) a conflict of interest could occur where there is an inappropriate flow of information between relevant persons within separate areas of the business who should be acting independently and where the absence of this independence could be



detrimental to the client. When principal trading, this could create an incentive to “front run” a client order to increase margins.

#### **Method of managing/avoiding conflict**

The Firm has procedures in place to control the inappropriate flow of information. Furthermore;

- Relevant persons who provide services to, or carry out activities for, clients who represent interests that may conflict with other clients or those of the Firm, are supervised effectively and separately;
  - There is no direct link between the remuneration of a relevant person and the remuneration of a separate relevant person engaged in a different activity where a conflict of interest may arise in relation to those activities;
  - No person may exercise inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;
  - There are measures to prevent a relevant person from being simultaneously involved in separate investment or ancillary services where such involvement could impair the proper management of conflicts of interest.
  - Speculative trading on own account is subject to approval by the Senior Management and any trades are subject to enhanced monitoring in relation to client orders to prevent the occurrence of front running.
  - Relevant staff have mandatory market abuse training and market abuse systems are tailored to prevent front running and insider trading in order to minimise any perceived benefit from doing so.
- c) *Personal Account Dealing (“PAD”)*

#### **Potential conflict**

The Firm’s staff members may engage in the trading of securities or other instruments for their own account. Such trading activities may put those employees and officers, or the



Firm, in conflict with the interests of the Firm's clients (for example, by having a personal interest in a transaction with a client, or by front-running transactions with clients).

**Method of managing/avoiding conflict**

The Firm manages this potential conflict of interest by maintaining a PAD Policy which has been formulated in accordance with relevant FCA Rules. All staff members must seek prior permission from the Compliance Officer to deal in certain securities/products for their own account. Each Director and employee is responsible for checking the Restricted List prior to dealing. In addition, the Compliance Department will monitor all PAD against the Insider List.

d) *Inducements*

**Potential conflict**

The giving or receiving of gifts, entertainment, or any other form of gratuity or hospitality by or to the Firm's staff members may create the appearance of a lack of impartiality and may lead to a potential conflict between the interests of the donor /done and the interests of the clients.

**Method of managing/avoiding conflict**

Staff members are prohibited from giving to and accepting from clients, potential clients, or other third parties gifts (£150) and entertainment (£250) of above the specified threshold. If a staff member was to go over the above threshold it requires Management approval.

e) *Outside Business Interests*

**Potential conflict**

The Firm's staff members may hold outside business interests, such as directorships or shareholdings, in service providers or other firms. The Firm has identified that such outside business interests or investments could cause a potential conflict between the personal interest of the relevant member of staff and the interests of the Firm's clients.

**Method of managing/avoiding conflict**



Staff members must inform the Compliance Department about their outside business interests. The Compliance Officer must approve any such interests and will maintain a record of them.

*f) Group Conflicts*

**Potential conflict**

Confidential information regarding a Client or a potential transaction could be known to one division or department within one FIS Relevant Person, which, if known to a wider group of FIS Relevant Persons, could impact the trading decision of another Client.

**Method of managing/avoiding conflict**

To manage such scenarios, there is a requirement for divisions and departments within FIS Relevant Persons to operate with appropriate independence from each other. Where appropriate, FIS structures its business to manage Conflicts of Interest through the maintenance of information barriers ("Chinese Walls"). These are designed to restrict information flows between different divisions and departments and within and between FIS Relevant Persons. Such measures have been put in place to enable FIS Relevant Persons to carry out business on behalf of Clients without being influenced by information held by other FIS Relevant Persons that may give rise to a potential Conflict of Interest.

*g) Dual-Capacity Trading*

**Potential conflict**

The Firm can both execute orders on behalf of clients and deal on own account on the LME – potentially putting the Firm’s objectives in conflict with the client as the better price offered to the client reduces the profit to the Firm. For example, filling through own books to minimise risk or prevent holding positions overnight or to maximise margins through fulfilling orders with the Firm’s own books.

**Method of managing/avoiding conflict**

The Firm has an order execution policy which applies the execution factors consistently irrespective of whether client orders are executed in the market or filled with stock from the Firm's own books with compliance monitoring taking place to ensure these are applied appropriately. The Firm will also make it clear on the relevant LME desk it acts in a dual capacity on a general basis and in relation to specific client orders it fulfils from its book. In the latter case, the Firm will also ensure the client understands that FIS may be offering greater likelihood and speed of execution in favour of price to ensure the customer makes an informed decision. The Firm has robust market abuse training and surveillance systems to minimise the perceived benefit of individual traders to fulfil client orders inappropriately – including through the Firm's own books.



## 5. Arrangements for managing conflicts

### a) *Governance*

- i. The Firm has robust governance arrangements. Key business decisions are taken by the Board and are recorded.
- ii. The Compliance Officer reports directly to the Board.
- iii. The Firm has rules in place to govern employee conduct, including PAD rules which control and mitigate conflicts of interest. It also maintains a Conflicts of Interest Register.

### b) *Reporting Lines*

The Firm has defined and clear reporting lines. An organisational chart is maintained by the HR department.

### c) *Segregation of Functions*

Duties should be segregated as appropriate, to avoid conflicts of interest wherever possible. These duties are set out in job descriptions, procedure manuals and organisational charts. Ensuring these duties remain segregated is the responsibility of line managers.

### d) *Disclosure of Personal Conflicts*

Employees and owners are required to disclose conflicts of interest. Employees will disclose any conflicts of interest via the Conflict of Interest Declaration form to their line manager, who in turn will inform the Compliance Department. Owners will disclose any conflicts directly to the Compliance Department. The Compliance Officer will record in the appropriate register and inform the Board of any action taken.

### e) *Disclosure to Clients*

If the Firm's arrangements to manage a conflict of interest are not sufficient to ensure, with reasonable confidence, that the risk of damage to that client's interests is prevented, the Firm will inform the client, in a durable medium, of the general nature and/or source of the conflict so that an informed decision can be made by that client before business is undertaken.

- f) Restricted List and Insider List*  
In order to facilitate the monitoring of conflicts, the Firm maintains a global Restricted List and an Insider List.
- g) Inducements*  
Staff members are prohibited from giving to and accepting from clients, potential clients or other third parties, gifts and entertainment of above the specified threshold. The Firm also maintains a Bribery policy.
- h) Recruitment*  
When individuals are recruited by the Firm, their fitness and propriety is considered by Senior Management, as well as their technical and, where relevant, managerial ability. Suitable background checks are made and references are taken up.
- i) Training*  
Compliance training regarding conflicts of interest forms part of the annual training needs analysis. The Compliance Officer ensures that appropriate training is devised and delivered.
- j) Compliance and Procedures Manuals*  
Systems and controls are documented in the compliance and procedures manuals which are reviewed at least once a year to ensure they are fit for purpose. The reviewer is appointed by the Board.
- k) Periodic Audit*  
The firm commissions professional consultants to undertake reviews on a quarterly basis.
- l) Management Information*  
Management information regarding the identification of conflicts is reviewed by the Compliance Officer. Conflicts checks are undertaken when taking on new clients or accepting new business from existing clients.
- m) Verifying Compliance*  
To verify that these policies have been complied with, an annual compliance review will be undertaken by the Compliance Department. The Compliance Officer will have responsibility

for assessing compliance with the policy on an annual basis and will report formally to the Board.

*n) Conflicts Monitoring*

Potential conflicts of interest are considered on an ongoing basis and prior to taking on a new client. In cases where a conflict is identified, a decision is made as to whether to proceed with the new client and, if so, what additional measures should be taken to mitigate the conflict. All such decisions are documented and are based on the nature of the conflict and the potential for the conflict to entail a material risk of damage to the interest of one or more clients. The Compliance Department keeps records of business approval and related correspondence.

*o) Confidentiality*

No portion of this Policy may be copied, reproduced, or shown to any individual who is not an employee of the Firm, a representative of a relevant legal or regulatory authority or a relevant professional advisor.