

# CONFLICTS OF INTEREST POLICY

Under FSA's Principles for Businesses, Principle 8 requires a firm to “*manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.*” Under the Markets in Financial Instruments Directive (“**MiFID**”) Guy Butler is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage such conflicts of interest. Guy Butler has put in place a policy to meet this obligation and set out below is a summary of that policy and the key information that is needed by clients and counterparties (together “**customers**”) to understand the measures Guy Butler is taking to safeguard the interests of its customers.

## **Guy Butler's Conflict of Interest Policy**

Guy Butler seeks to:

- identify circumstances which may give rise to conflicts of interest entailing a material risk of damage to customers' interests;
- establish appropriate mechanisms and systems to manage those conflicts; and
- maintain systems in an effort to prevent actual damage to customers' interests through the identified conflicts.

## **What is a conflict of interest?**

A conflict of interest under MiFID is a conflict that arises in any area of Guy Butler's business in the course of providing its customers with a service which may benefit Guy Butler (or another customer for whom Guy Butler is acting) whilst potentially materially damaging another customer where Guy Butler owes a duty to the customer. There may be a conflict where Guy Butler (or anyone connected to Guy Butler):

- is likely to make a financial gain (or avoid a loss) at the expense of its customer;
- is interested in the outcome of the service provided to its customer where the interests of Guy Butler is distinct from that of the customer;
- has a financial or other incentive to favour the interests of one customer over another;
- carries on the same business as a customer;

- receives money, goods or services from a third party in relation to services provided to a customer other than standard fees or commissions.

Guy Butler 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 customers. The conflicts identified include:

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

### **Policies and procedures**

Guy Butler has adopted numerous internal policies and procedures, as set out in this Compliance Manual or in its procedures manuals, in order to manage recognised conflicts of interests. These policies and procedures will be subject to' Guy Butler's normal monitoring and review processes and include:

#### **(a) Integrity and Standards of Conduct**

Guy Butler insists that in its dealings with customers its staff must use the highest standard of integrity in their actions at all times. The induction programme, Training & Competency procedures and monitoring programme at Guy Butler are designed to ensure that all relevant staff are familiar with and observe, inter alia, the FSA Principles for Businesses and the Statements of Principle and Code of Practice for Approved Persons.

#### **(b) Customer Orders**

In order to ensure as fair treatment as possible for customers, the Guy Butler Execution Policy requires Guy Butler to take all reasonable steps to achieve the best overall trading result for customers; to exercise consistent standards; and operate the same processes across all markets, clients and financial instruments in which it operates.

No undue preference should be given to any customer when trades are aggregated. Re-allocation to any individual customer may only be made to correct an error or to adjust an uneconomic initial allocation e.g. on a partial fill of an order

There may be occasions when customer orders may have a material effect on a relevant securities price. In order to ensure that a broker does not take advantage of the situation by dealing on his/her own account or encouraging a third party to deal, Guy Butler has a strict "no front running" policy.

In order to ensure a fair and orderly dealing environment within the market, Guy Butler further ensures that its staff comply with the revised Code of Market Conduct reflecting the provisions of the Market Abuse Directive, as well as the relevant FSA Rules, which aim to prevent insider trading, the misuse of information and market manipulation.

**(c) Personal Account Dealing (“PAD”)**

Guy Butler has a policy on Personal Account Dealing and the rules are signed off as understood by all relevant employees regardless of their position .

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

Relevant employees shall not deal in stock within 5 days of a research recommendation being published and in no circumstances where a client order is pending

Further, PAD procedures require employees to obtain pre-approval of trades and all broking staff are required to report any investment activity to the Compliance Department

All staff are regularly reminded of the Personal Account Dealing rules through general all staff emails.

**(d) Confidentiality and Information barriers**

Guy Butler has put in place procedures to control or prevent the flow of information between business units where the interests of customers of one business unit may conflict with the interests of customers of another business unit or with Guy Butler’s own interests. Further Guy Butler insists on strict customer confidentiality to ensure that information is disclosed only to those entitled to receive it or otherwise with the prior approval of the Compliance Department.

**(e) Inducements to Employees from Customers**

Staff are not allowed to accept gifts, entertainment or any other inducement from any person which might benefit one customer at the expense of another when conducting investment business. For example, where two customers give similar orders and one customer agrees to pay more commission, priority or better execution terms must not be granted to that customer’s order when it conflicts with obligations owed to the other customer.

Guy Butler staff are not allowed to place undue pressure upon customers to persuade the customer to trade through the firm to the extent that this might

give rise to a conflict of interest between that customer and its own underlying customer

**(f) Remuneration Policy**

All relevant staff who are open to a conflict of interest are paid a basic salary including those in key support areas such as Compliance, Finance and Operations. This salary is not dependent on company performance. A bonus structure does exist which is linked to company performance, team performance or the individual's performance. It is at the discretion of the senior management and notified only on payment.

**(g) Separate supervision and segregation of function**

Where appropriate, Guy Butler has arranged for the separate supervision of those carrying out functions for customers whose interests may conflict, or where the interests of customers and Guy Butler may conflict and has taken steps to prevent the simultaneous or sequential involvement of a relevant person in separate services or activities where such involvement may impair the proper management of conflicts of interest.

**(h) Research**

The Management Policy in respect of investment research and analysts are set out below

- 1) Management strategy is to maintain a flat book with a view to fulfilling a client's actual or potential order at the best price available in the market.
- 2) No Chinese walls will exist between the brokers and the strategist. It will be assumed that all staff will have knowledge of actual or pending research and shall act accordingly.
- 3) During the period of research, prior to a publication of a recommendation, the company shall act in an execution only capacity in the investment concerned and not solicit for orders.
- 4) All staff will report to the Chief Executive of Guy Butler Ltd. Non contractual remuneration for all brokers (including analysts) is based on the overall results of the broking desk.
- 5) Staff shall disregard the undue influence of issuers, institutional investors and other outside parties when publishing research recommendations.
- 6) The company or its employees shall not deal in a stock within one week of research recommendation being published and in no circumstances where a client order is pending.
- 7) Staff shall disregard the undue influence of issuers, institutional investors and other outside parties when publishing recommendations.
- 8) Staff shall use the highest standards of integrity when dealing with a client.

**(i) Disclosure**

As a last resort, where there is no other means of managing the conflict or where the measures in place do not, in the view of Guy Butler, sufficiently protect the interests of customers, the conflict of interest will be disclosed to customers to enable an informed decision to be made by the customer as to whether they wish to continue doing business with Guy Butler in that particular situation.

**(l) Declining to Act**

Finally, where Guy Butler considers it is not able to manage the conflict of interest in any other way it may decline to act for a customer.

**Any queries on the above should be directed to the Compliance Department**