

## SFL Conflicts of Interest (“Col”) Policy

January 2021

### 1 Introduction

StoneX Financial Ltd. (“SFL” or “the Firm”) is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, prevent and manage actual or potential conflicts of interest from adversely affecting the interests of its clients.

[Senior Management Arrangements, Systems and Controls \(“SYSC”\) 10.1](#) of the Financial Conduct Authority’s (“FCA”) Handbook of Rules and Guidance lays down considerations that, in the course of carrying on regulated activities and/or ancillary activities, SFL must have regards to in order to prevent an actual or potential conflict of interest from damaging the interests of a client, and comply with Principle 8 of the FCA’s [Principles for Business \(“PRIN”\)](#).

Circumstances in which conflicts of interest may arise are:

- (i) outside employment and outside business interest;
- (ii) anti-bribery and corruption, gifts, entertainment, and other inducements; and/or
- (iii) order execution.

### 2 Purpose

When competing interests impair SFL’s ability to make objective, unbiased business decisions SFL has a conflict of interest. You may face a conflict of interest when your professional duties as an employee of SFL and your personal interests diverge. They may take the form of financial interests in a supplier’s or customer’s business, recruiting a close family member or engaging in employment outside SFL.

### 3 Scope

All directors, employees, group employees who introduce business to or act as agent of SFL, all tied agents, appointed representatives or any other party contracted or sub-contracted to provide services to SFL (collectively referred to as “relevant persons”), are expected to comply with the provisions of this policy.

It applies in respect of providing services to clients in the course of carrying on regulated activities and/or ancillary activities (such as the execution of client orders). Non-existence of an actual or potential conflict of interest at the time of consideration should not be inferred or interpreted as being applicable for the unforeseeable future. Circumstances, such as SFL’s business model or an employee’s financial status, are subject to change and are not static constructs.

Therefore, SFL requires any person to whom this policy applies to be vigilant in the performance of their duties to which they are required to discharge, regardless of whether this is in a personal or

professional capacity. SFL will collect all necessary information in a timely manner and to the extent required to meet the applicable organisational requirements.

## **4 Misconduct**

Any breach of this policy will be regarded seriously and may lead to disciplinary action being taken against the employee responsible, which may take the form of immediate dismissal without compensation. Any employee who is in any doubt as to the provisions of this policy and/or is aware of any undisclosed actual or potential conflict, either on their own account or relating to another person, should consult the Compliance Department as soon as reasonably practicable at [SFLCentralSurveillance@StoneX.com](mailto:SFLCentralSurveillance@StoneX.com) and/or [SFLAdvisoryCompliance@StoneX.com](mailto:SFLAdvisoryCompliance@StoneX.com).

Depending on the nature of the undisclosed actual or potential conflict of interest, SFL may be in violation of certain rules, regulations and/or laws, which will be a factor in determining the severity of disciplinary action a person is liable to face. In certain cases, SFL may, in accordance with Principle 11 of PRIN, have to make a notification to the FCA as soon as practicably possible, but without unreasonable delay.

## **5 Definition of conflicts of interest**

In the widest sense, a conflict of interest occurs where one person (A) owes a duty to another party, such as a counterparty or employer (B), and that duty is compromised by either A's own interests or by a duty A owes a third party. Such duties may arise, for example, where A acts as an agent for B, where A owes fiduciary obligations to B, or as a result of a regulator imposing such duties.

SFL classifies conflicts of interest as significant if any person, internally or externally, has reason to suspect there is a risk of a relevant person's actions being inappropriately influenced. Relevant persons who are inappropriately influenced are more likely to be predisposed in taking action(s) which serve to the detriment of SFL, or one or more of SFL's clients.

### **5.1 Types of conflicts**

A conflict of interest may arise, or a perceived conflict of interest may arise, in any one or combination of the following non-exhaustive scenarios involving a relevant person:

- (i) direct or indirect financial interest (e.g. relevant person is a minority or majority shareholder of one of SFL's clients);
- (ii) direct or indirect financial interest held by a commercial undertaking a relevant person is connected to;
- (iii) expectation of future interest (e.g. future employment);
- (iv) previous association with a person affected or likely to be affected by the information or issue in question;

- (v) interest arising from a common interest group, such as a trade association or other public or private society;
- (vi) accepting gifts and/or hospitality;
- (vii) an employee of a client holds a separate personal trading account with SFL;
- (viii) outside business interests (e.g. relevant person holds an executive position in a company providing services to SFL);
- (ix) payment for order flow (“PFOF”) (e.g. SFL receives compensation and benefit for directing client orders to different parties for trade execution. In doing so, SFL receives compensation for directing client orders to different third parties);
- (x) internalisation of execution client orders (e.g. two trading desks provide different investment services to the same client for order executions and are separately remunerated (i.e. arranging and clearing client orders));
- (xi) dual-capacity trading desks (e.g. a trading desk deals on own account against proprietary capital and executes client orders);
- (xii) pre-execution communications for client orders in illiquid instruments;
- (xiii) buying and selling of financial instruments for proprietary purposes using material, non-public, sensitive information;
- (xiv) affiliate entity of an SFL tied-agent working at the same office for a different principal;
- (xv) investment research (e.g. research analyst producing the investment report is not disclosed in the report, research analyst purchases issued securities of company to whom the report relates, no unbundling of fees for research prepared for investment managers); and/or
- (xvi) interest described in (i) – (xv) above of a close family member.

**Whilst the examples above may not give risk to a conflict of interest or the perception of a conflict of interest, relevant persons are strongly encouraged to understand how they may constitute a conflict of interest. As such, SFL requires all relevant persons to be sufficiently trained, skilled and knowledgeable in their area(s) of expertise in order to identify actual or potential conflicts of interest.**

## **6. Identification of conflicts of interest**

SFL must ensure that it takes all appropriate steps to identify potential and/or actual conflicts of interest that may arise in the course of business. Due to the variety of markets in which SFL transacts, as well as the different trading capacities it reprises in order to perform a particular investment service, either for its own account or on behalf of its clients, conflicts of interest may arise in a variety of ways across multiple scenarios and contexts.



As such, SFL advocates a 'proactive' approach to compliance, whereby employees must exercise vigilance in the performance of their duties, especially in regard to situations where conflicts are more likely to arise, such as the provision or receipt of inducements, remuneration and other incentive structures involving third parties.

SFL's control framework is reliant on, and underpinned by, the collective participation by its staff in performing their duties in an open, honest and transparent manner. Any deviation from this cooperative effort undermines SFL's ability to maintain continued compliance with the applicable rules, regulations on conflicts of interest, which also affect the integrity of the financial services industry.

Employees are obliged to consider the long-term impact of their action(s) and not pursue short term gain at the expense or detriment of a client or SFL itself.

## **7. Management of conflicts of interest**

SFL maintains and operates effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent actual and/or potential conflicts of interest from adversely affecting the interest of its clients. Such arrangements include, but are not limited to:

- (i) establishment of a procedure for the disclosure of conflicts of interest (please see Section 5 for details);
- (ii) maintenance of records, including disclosed conflicts of interest by relevant persons to the Compliance Department;
- (iii) establishment of a procedure to ensure compliance with the FCA's rules on personal account dealing, which is referred to in SFL's personal account policy available on the [Compliance Policy Centre](#);
- (iv) creation of a form for employees to disclose all outside business interest or activities upon commencement of employment with SFL and on an on-going basis, should their circumstances change;
- (v) monitoring and surveillance of telephone conversations and electronic communications that are intended to result in transactions concluded when dealing on own account or in the provision of client order services that relate to the reception, transmission and execution of client orders, even if those conversations or communications do not result in the conclusion of such transactions or in the provision of client order services (hereinafter, "relevant conversations or communications"). Specific procedures followed by the Compliance Department are set out in SFL's "Communications Recording Policy", which is available on the [Compliance Policy Centre](#);
- (vi) establishment of a procedure to ensure compliance with the FCA's rules on the provision and receipt of gifts and entertainment, which is referred to in SFL's Anti Money Laundering & Counter Terrorist Financing Policy" available on the [Compliance Policy Centre](#);

(vii) establishment of a policy and procedure to ensure compliance with the FCA's rules on best execution, which is referred to in SFL's best execution policy available on the [Compliance Policy Centre](#);

(viii) holding periodic and/or ad-hoc training sessions across a variety of compliance areas to ensure all employees are competent to the extent required to identify and prevent conflicts of interest, regardless of whether or not they carry out a regulated activity in accordance with the terms of their employment;

(ix) monitoring of SFL's and SFL's clients' trading activity for behaviours amounting to potential market abuse via the use of an automated trade surveillance system, which is referred to in SFL's market abuse policy [Compliance Policy Centre](#);

(x) in respect of the London Bullion Market Association ("LBMA") Gold auction and LBMA Silver auction, physical segregation of staff discharged with performing the execution of client orders and trading on a proprietary basis against SFL's capital for a single trading desk;

(xi) implementation of electronic barriers pursuant to SFL's information security framework to regulate, control the flow of information, confidential and non-confidential, between different business units (commonly referred to as 'Chinese Walls') of SFL and its affiliates. SFL does not currently maintain any Chinese Walls in line with its 'risk-based' compliance framework; and

(xii) maintenance of a non-exhaustive list of good and poor practice (please refer to APPENDIX B).

## **8 Disclosure of conflicts of interest**

### **8.1 Disclosures made by employees**

All employees must, on a rolling annual basis, provide the Compliance Department with a declaration, stating that they have declared all potential and/or actual conflicts of interest, if any, alongside any other interests that they are reasonably expected to disclose throughout the year, and ensured that all required forms have been sent to the Compliance Department. Such attestation should be made using the form contained in APPENDIX A, with a completed copy sent to [SFLAdvisoryCompliance@StoneX.com](mailto:SFLAdvisoryCompliance@StoneX.com) and [SFLCentralSurveillance@StoneX.com](mailto:SFLCentralSurveillance@StoneX.com) by no later than 30 calendar days following the end of the previous calendar month to which the attestation relates.

### **8.2 Disclosures made to clients**

In the event SFL's arrangements are not deemed sufficient to ensure, with reasonable confidence, that risks of damage to the interests of one or more of SFL's clients will be prevented, SFL will undertake to clearly disclose the following to the affected parties: (i) general nature or sources of conflicts of interest, or both; and (ii) the steps taken to mitigate those risks. In making (i) – (ii), SFL complies with the organisational requirements laid down by the FCA, which are:

(i) all disclosures are made in a durable medium (i.e. in a form which enables the storage of information in a readily accessible manner for future reference, for an adequate period of time, and which allows the unchanged reproduction of the information stored);

- (ii) outline of the deemed insufficient organisational and administrative arrangements established by SFL;
- (iii) specific description of the potential or actual conflicts of interest;
- (iv) explanation of the risks that arise as a result of the actual or potential conflicts of interest; and
- (v) ensure (i) – (iv) include sufficient detail to enable a client to make an informed decision with respect to the service in the context of which the potential or actual conflicts of interest arise.

**SFL will not make any disclosures required by the applicable rules with the intent of placing an over-reliance in replacement of adequate consideration as to how the actual or potential conflicts may be appropriately managed. Employees are encouraged to consult with the Compliance Department to ascertain how appropriate steps can be taken to prevent or manage its conflicts of interests.**

**A disclosure to one or more of SFL's clients will only be taken as a measure of last resort following approval by the Chief Compliance Officer and/or the Deputy Compliance Officer, both of whom reserve the right to refer the matter for consideration by the Compliance Committee prior to granting approval to make the disclosure.**

## **9 Recording conflicts of interest**

The SFL Compliance Department maintains a conflicts of interest register, which is the tool used to evidence the firm's record of conflicts. All records of conflicts will be retained for the longer of five years or the period of time specified under applicable law or regulatory rules. SFL records and regularly updates the kinds of service or activity carried out by or on behalf of the firm in which a potential or actual 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 or activity, may arise. This arrangement has been established to ensure continued compliance with [SYSC 10.1.6 \[R\]](#).

## **10 Consequences of non-compliance**

Non-compliance with any of the standards and requirements outlined in this policy may render an employee susceptible or vulnerable to internal disciplinary action in line with the Staff Handbook maintained by the Human Resources department. Relevant persons should email [HRLondon@StoneX.com](mailto:HRLondon@StoneX.com) to obtain a copy. The Compliance Department will take any action(s) considered necessary to prevent an employee from taking any action(s) (or inaction(s)) that can result in a material risk of damage to the interests of one or more of SFL's clients in respect of an ongoing service or activity.

## 11 Review of policy

This policy will be reviewed and updated on a periodic or rolling annual basis by the Compliance Department. Changes in legislative requirements, exchange guidelines or rulebooks may also necessitate changes to the policy to ensure SFL's ongoing compliance.

<b>Version History</b>	<b>Date</b>	<b>Approved at</b>
Version New 1.0	NOV-19	Compliance Committee Nov19
Version New 2.0	JAN-21	Compliance Committee - via email



## APPENDIX A – ANNUAL ATTESTATION FORM

I [Insert Name of Employee] hereby undertake that, with respect to conflicts of interest, I have declared all potential and/or actual conflicts of interest, if any, alongside any other interests that I am reasonably expected to disclose throughout the year (including, but not limited to: (i) outside business interests (disclosure(s) made via the use of the “OUTSIDE BUSINESS ACTIVITIES – DISCLOSURE & APPROVAL FORM” available at the [Compliance Policy Centre](#)); (ii) personal relationships and/or financial relationships, which may result in a potential or actual conflict of interest; (iii) any post, other employment or fiduciary positions held; and (iv) and any of (i) – (iv) of a close family or any other close personal relationship to the extent to which you are aware of the interest(s)), that arise over the course of my work to the Compliance Department **without unreasonable delay**. In the event that I am unclear as to whether or not a particular scenario constitutes an actual or potential conflict of interest, I have taken all sufficient steps to seek clarification or advice from the Compliance Department (or any other appropriate person(s)).

I also hereby undertake that I have read and understand SFL’s Conflicts of Interest Policy and if there are any changes to my circumstances, including, but not limited to, accepting a new external role as a company director, these will be communicated to the Compliance Department as soon as reasonably practicable, but no later than 24 hours. I confirm that I am aware of the potential consequences of non-compliance with SFL’s Conflicts of Interest Policy, which, if deemed necessary by the Compliance Department, may constitute grounds for dismissal or termination of employment, subject to the provisions of the Staff Handbook maintained by the Human Resources department.



## APPENDIX B – NON-EXHAUSTIVE LIST OF GOOD AND POOR PRACTICE

### **Good practice**

- I. use of anonymised terms (e.g. project names, code words) when discussing confidential matters in public areas;
- II. use of meeting rooms to discuss confidential information;
- III. maintenance of Whistleblowing arrangements to make protected disclosures on an anonymous basis;
- IV. location of Compliance personnel on the trading floor to provide real-time assistance to staff members seeking advice or consultation; and
- V. requirement of the completion of annual training courses to keep staff members up to date with rules and regulations relating to conflicts of interest.

### **Poor practice**

- I. disclosure of confidential information to any person who does not have a legitimate business need to know;
  - II. disclosure of confidential information to third-parties without prior written consent and/or where a legitimate business purpose does not exist; and
  - III. use of confidential information acquired by the carrying out of employment duties for an employee's personal gain, such as making a profit or avoiding a loss at the expense of one or more of SFL's clients.
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