

LXM FINANCE LLP
CONFLICTS OF
INTEREST POLICY
2018



Purpose

The purpose of this Conflicts of Interest Policy under [SYSC 10.1.11R](#) 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 material risk of damage to the interests of one or more clients;
- b) To specify procedures to be followed and measures to be adopted in order to manage such conflicts.

Summary of Requirements

a) Identifying Conflicts

[SYSC 10.1.3R](#) requires a Firm to take all reasonable steps to identify conflicts of interest between:

- The Firm (including its managers, employees or any person directly or indirectly linked to it by control), and a client of the Firm; or
- One client of the Firm and another client;

that arise, or may arise, in the course of the Firm providing any services in the course of carrying on regulated activities.

b) Types of Conflict

[SYSC 10.1.4R](#) 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:

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

c) Segregation of functions

[SYSC 5.1.6R to 5.1.11G](#) require the senior management of a firm to segregate duties so as to avoid conflicts of interest.

d) Disclosure of conflicts to clients

[SYSC 10.1.8R](#) 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, the Firm:

- Must clearly disclose, in a durable medium, the general nature and source of the conflict of interest to the client before undertaking business for the client; and
- Must provide sufficient detail to enable that particular client to make an informed decision in relation to the service offered.

e) Responsibilities of Staff

It is the responsibility of all employees to familiarise themselves with this Policy and to report conflicts of interest to their line manager who will in turn report them to the Compliance Officer. 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 Governing Body. The Compliance Officer is responsible for the day-to-day administration of the Policy.

The Compliance Officer will work with line management to mitigate the risk of conflicts of interest, record conflicts and the mitigating action in the Conflicts Register and report the situation to the Governing Body for consideration. The Governing Body via the Compliance Officer, has responsibility for ensuring that staff members are aware of the aspects of the Policy relevant to them.

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

Situations in which Conflicts of Interest could arise

The purpose of this section is to set out typical situations in which conflicts of interest 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 Officer as a "Gatekeeper" to clear any Inside Information based conflicts, the use of restricted/Insider Lists and deal monitoring.

b) Personal Account Dealing

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 securities for their own account. Each employee is responsible for checking the Restricted List prior to dealing. In addition, the Compliance Officer will monitor all PAD against the Insider List.

c) 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/donee and the interests of the clients.

Method of managing/avoiding conflict

Staff are prohibited from giving to and accepting from clients, potential clients or other third parties' gifts and entertainment of above the specified threshold that requires permission from the Compliance Officer.

d) Remuneration Policy

Potential conflict

The remuneration of certain of the Firm's members of staff may be linked to the performance of transactions which they bring in or work on. Whilst this ensures a significant commonality of interest between those employees and clients, it may give rise to a potential conflict between their personal interests and the interests of the clients. For example, where a client is advised to proceed with a transaction, though it is not in that client's interests to do so or where excessive risk-taking is encouraged so that the employee may potentially claim higher performance-related compensation, should the risk prove to be successful.

Method of managing/avoiding conflict

Potential conflicts arising and arrangements for controlling/mitigating them are identified in the Conflicts of Interest Register.

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

f) Introduction Fees

Potential conflict

From time to time, the Firm may pay introduction fees to third parties in relation to executed transactions.

Method of managing/avoiding conflict

In such cases, full disclosure of the existence of the introduction fee must be provided to the client.

g) Investment advice

- Providing advice to investor clients in relation to the issue of securities where the Firm is managing the securities issue;
and
- Acting for different institutional or corporate clients in their acquisition or disposal of the same security.

The Firm has compliance and conflicts management procedures in place. Staff members receive training on the Firm's procedures in this respect and are required to confirm their understanding of these. Reporting lines are designed to avoid conflicts of interest.

Arrangements for managing conflicts

a) Governance

- The Firm has robust governance arrangements. Key business decisions are taken by the Governing Body and are recorded.

The Compliance Officer reports directly to the Governing Body

- The Firm has in place rules governing 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 Compliance Officer.

c) Segregation of Functions

The rules in [SYSC 5.1](#) requiring segregation of functions are met by segregating duties as appropriate to avoid conflicts of interest wherever possible. These duties are set out in role descriptions, procedure manuals and organisational charts. Ensuring these duties remain segregated is the responsibility of line managers, as advised by the Compliance Officer.

d) Disclosure of Personal Conflicts

Employees and Members are required to disclose conflicts of interest. Employees will disclose any conflicts of interest to their line manager who in turn will inform the Compliance Officer. Owners will disclose any conflicts directly to the Compliance Officer. The Compliance Officer will record in the appropriate register and inform the Governing Body of any action taken.

e) Disclosure to Clients

If our 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, we will inform the client, in a durable medium, of the general nature and/or source of the conflict in such a way that an informed decision can be made by that client before business is undertaken.

f) Restricted, Quiet and Insider List

In order to facilitate the monitoring of conflicts the Firm maintains Lists.

- The Restricted List contains upcoming and mandated corporate finance deals that are non-public.
- The Insider list is maintained on all live projects and updated throughout the life of the project as appropriate and if staff members receive inside information.
- The Quiet list is used when the Firm is in possession of unpublished price sensitive information and there are research restrictions in place.

g) Recruitment

When new employees are taken on, their fitness and propriety is considered by the Compliance Officer as part of the recruitment process, as well as their technical and, where relevant, managerial ability. Suitable background checks are made and references are taken up.

h) Training

Compliance training to address conflicts of interest forms part of the annual training needs analysis. The Compliance Officer ensures that appropriate training is delivered.

i) Compliance and Procedures Manuals

Systems and controls are documented in the compliance and procedures manuals. These are reviewed at least annually to ensure they are fit for purpose. The reviewer is appointed by the Governing Body.

j) Management Information

Management information relevant to identifying conflicts is reviewed by the Compliance Officer. Conflicts checks are undertaken when the Firm is taking on new clients or accepting new business from existing clients.

k) Verifying Compliance

Verification of compliance with these policies will be undertaken by the Compliance Officer as part of an annual compliance review. The Compliance Officer will have responsibility for reviewing compliance with the policy on an annual basis and will report formally to the Governing Body.

l) Amendments to the Policy

LXM annually reviews this policy and should any amendments be made which may materially affect the way in which the firm would handle a conflict of interest on behalf of a client, the client will be notified in writing of the nature of the changes

The client is provided upon account opening, and further upon request, with an up-to-date copy of the conflicts of interest policy statement.