

## Conflicts of Interest Policy

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The identification and prevention of conflicts of interest and the proper management of such conflicts represent an important task for any financial services firm. Makor Securities London Ltd (“Makor”) analyses and manages conflicts of interest in such a way as to ensure the fair treatment of all parties involved in a manner that does justice to their interests, and avoids any detriment to client interests.

### I. Purpose

The purpose of this Conflicts of Interest Policy under and 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) Makor, 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 to manage such conflicts; and
- c. To communicate this information to all those who are in Makor

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

### 2. Regulatory Background

FCA Principle 8 (Conflicts of Interest) states that:

A firm must manage conflicts of interest fairly, both between itself and its clients and between one client and another. Makor has taken appropriate measures for the prevention, early identification and management of conflicts of interest.

### 3. Summary of Requirements

#### a) Identifying and Preventing Conflicts

Article 23 requires a firm to take all appropriate steps to identify and prevent conflicts of interest. Potential conflicts of interest could arise from the differing interests of:

1. Makor;
2. other clients of Makor;
3. employees of Makor; and
4. Companies connected to Makor and persons employed by them.

## 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, Makor must take into account certain issues. It must consider as a minimum, whether Makor or a relevant person or a person directly or indirectly linked by control to Makor:

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

In order to prevent and identify existing or potential conflicts of interest, and to resolve such conflicts in an appropriate manner, Makor has a robust compliance function that reports to its Executive Committee and has established measures which can be applied at any stage of our conflicts management process.

These measures include:

## c) Segregation of functions

The senior management of Makor should, where appropriate segregate duties to avoid conflicts of interest.

## d) Disclosure of conflicts to clients

Article 23 (2) of MiFID II requires that, where the arrangements made by Makor 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:

- i. 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
- ii. Explain the risks that arise as a result of the conflict of interests and the steps taken to mitigate these risks; and

- iii. Provide sufficient detail to enable that 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. Where the precautions and measures to resolve conflicts of interests described above are insufficient, Makor will disclose the conflict of interest to the customer concerned before providing services.

#### Withdrawing from activities

Where disclosure is not a suitable way of resolving conflicts of interests, Makor will withdraw from acting for one or more parties to the conflict.

#### e) Responsibilities of Staff Members

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 rests 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 conflict of interest policy is reviewed at least annually as stipulated in Article 34 (5).

The Board, via the Compliance Officer, 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.

#### Internal rules

The measures described may be set out in internal guidelines on dealing with conflicts of interest which are binding for all members of staff of Makor, in compliance guidelines and in other internal handbooks. All arrangements are checked regularly by the Compliance Officer to ensure they are being adhered to, are effective, and are adjusted where necessary.

- Employee transactions

The employee personal account dealing rules set out restrictions for personal transactions in financial instruments by Makor employees for their own account. Employee transactions also

include transactions carried out by third parties on behalf of or for the account of an employee.

- Accepting and giving gifts

There are policies and procedures in place governing accepting and giving gifts and financial advantages which sets out the requirement to report and seek approval for gratuities or benefits received in connection with doing business. Employees are not permitted to accept such gratuities or benefits above a set minimal level without the prior approval of Makor's Compliance Officer. Employees are also not allowed to demand from or grant to customers or business partners any personal gratuities or benefits such as personal discounts, cash or gifts equivalent to cash in any amount as part of their business activities

#### **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 Makor'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 Makor 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 Makor's clients, or between the interests of Makor's clients, and may also be unlawful.

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

Makor 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 Makor's business and the instruments typically traded. Makor 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.

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

Makor has procedures in place to control the inappropriate flow of information. Whereby:

- If relevant persons who provide services to, or carry out activities for, clients who represent interests that may conflict with other clients or those of Makor, then they 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;

c) Personal Account Dealing (“PAD”)

***Potential conflict***

Makor’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 Makor, in conflict with the interests of Makor’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***

Makor manages this potential conflict of interest by maintaining a PAD Policy which has been formulated in accordance with relevant FCA Rules.

d) Inducements

***Potential conflict***

The giving or receiving of gifts, entertainment, or any other form of gratuity or hospitality by or to Makor’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 and entertainment of above the specified threshold.

e) Outside Business Interests

**Potential conflict**

Makor's staff members may hold outside business interests, such as directorships or shareholdings, in service providers or other firms. Makor 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 Makor'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) Introducing Fees, Commissions or Rebates

**Potential conflict**

From time to time, Makor may pay introduction fees to third party introducing brokers ("Introducers") assessed with reference to executed transactions.

**Method of managing/avoiding conflict**

All agreements with Introducers are conformed to the requirements of COBS 2.3 and 2.3A and full disclosure of the existence of any introduction fee, commission or rebate is provided to the client.

Further, Makor does not work with Introducers who exercise discretion/trading authority on behalf of their clients, thereby mitigating the risk of conflict arising between the interests of the client and the discretionary manager/broker as typified by account churning.

Makor does not accept commission or other payments from market makers or liquidity providers for orders sent to them on behalf of a client unless Makor is acting as an inter-dealer broker, or in a like role, arranging transactions where neither party relies on Makor or has the expectation that it would be acting in their best interests.

g) Group Conflicts

**Potential conflict**

Other members of the Makor Group may have client relationships that could create a conflict of interest.

**Method of managing/avoiding conflict**

The Compliance Officer keeps a list of group companies and informs management if any potential

conflicts may arise

#### h) Research

Makor manages any risk in terms of potential conflict in this area by (i) only producing non-independent research based on information in the public domain; (ii) ensuring all non-independent research is pre-approved by the Compliance Officer to ensure compliance with MiFID Org Regulations Articles 36 and 37 and cOBS 12.2 (in particular with regard to labelling and disclosure that the research is non-independent); (iii) distributing non-independent research to all clients simultaneously; and (iv) prohibiting dealing on behalf of any client with reference to any non-independent research before it is disseminated to clients generally. It is a provision of Makor's PAD policy that employees are not permitted to deal with reference to Makor research before it is disseminated to clients.

### 5. Arrangements for managing conflicts

#### a) Governance

- Makor has robust governance arrangements. Key business decisions are taken by the Board and are recorded.
- The Compliance Officer reports directly to the Board.
- Makor has in place rules governing employee conduct, including Personal Account Dealing ("PAD") rules, which control and mitigate conflicts of interest. It also maintains a Conflicts of Interest Register.

#### b) Reporting Lines

Makor has defined and clear reporting lines. An organisational chart is maintained by the Compliance Officer.

#### c) Segregation of Functions

Duties are 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, as advised by the Compliance Officer.

#### d) Disclosure of Personal Conflicts

Employees and owners 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 Board of any action taken.

**e) Disclosure to Clients**

If Makor'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, Makor 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) MakorMakorInducements**

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.

**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 devised and 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 Board.

**j) Management Information**

Management information relevant to identifying conflicts is reviewed by the Compliance Officer. Conflicts checks are undertaken when Makor 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 Board.

**l) Remuneration**

**m)** Makor's remuneration policy is designed to avoid rewarding behaviour that may lead to the disadvantage of its clients.

**n) Record of conflicts**



Our Compliance Officer keeps a confidential record of conflicts identifying ongoing or transaction related business relationships with customers, in order to identify potential conflicts of interest at an early stage.

#### Insider list

Our Compliance Officer also keeps a confidential insider list where appropriate documenting information which may be relevant to conflicts of interest; this is used to counteract the misuse of such information by means of daily monitoring of staff.

The insider list documents what relevant compliance information is held with Makor and which members of staff have access to this insider information. The Compliance Officer uses this list to monitor whether Makor or its staff have carried out any transactions in listed securities where inside information is held.

#### Restricted list

Clients and non-clients of Makor may also be put on the restricted list for a range of reasons. This is a confidential list placing restrictions on trading in the financial instruments of certain companies. These restrictions may include, for example, a ban on staff transactions in these companies.

### **o) Confidentiality**

To protect client interests and mitigate risk of conflicting interests, Makor treats all client information as confidential (subject to its legal obligations and disclosure necessary to provide its services) and has policies and procedures to comply with applicable data protection laws.

### **p) Approval**

This Policy is reviewed on an annual basis. The next review will take place on 1 February 2019.