



# Kyte Broking Ltd

## Conflicts of Interest Policy – Summary Statement



	<b>Page</b>
1. Purpose and Summary of Policy .....	3
2. Scope of Application .....	3
2.1. Conflict of Interest Factors .....	3
2.2. Identifying Conflicts of Interest .....	4
2.2.1. Investment Research & Non-Independent Research .....	4
2.2.2. Outside Business Interests.....	4
2.2.3. Personal Account Dealings.....	5
2.2.4. Remuneration .....	5
2.2.5. Gifts and Entertainment, Bribes and Inducements .....	6
2.2.6. Third Parties and Vendors.....	8
2.2.7. Personal Relationships.....	8
2.3. Declining to Act.....	8
3. Control Frameworks and Procedures .....	8
3.1. Identification of Conflicts of Interest .....	8
3.2. Segregation and Information Barriers .....	9
3.3. Remuneration Committee .....	10
3.4. Supervision and Escalation Arrangements .....	10
3.5. Record Keeping .....	10
3.6. Training and Awareness.....	11
3.7. Whistleblowing .....	11
4. Breach of Policy .....	11
Annex 1 .....	12



## 1. Purpose and Summary of Policy

The board members and senior managers (“**Board and Senior Managers**”) of Kyte Broking Limited and the organised trading facility (“**OTC**”) operated by it (together “**KBL**”), recognise the importance of ensuring that KBL complies with both the spirit and letter of any applicable national and foreign legislation, regulation, rule or guidance from regulatory authorities, including the FCA Handbook (“**Applicable Law**”).

The purpose of this Conflicts of Interest Policy (“**Policy**”) is to ensure that all appropriate steps are taken to identify and prevent or manage conflicts of interest.

## 2. Scope of Application

This Policy sets forth the minimum standards that must be applied by KBL and all the Relevant Persons.

Further information of KBL’s conflict of interest policies and procedures (including an expanded version of the KBL Conflicts Map which contains a longer list of potential or actual conflicts) is available upon request.

This Policy has been implemented from the issue date and will be reviewed at least annually.

### 2.1. Conflict of Interest Factors

KBL will take all appropriate steps to identify, prevent or manage conflicts of interest, between the following parties, that arise or may arise in the course of KBL’s business, including those caused by the firm’s remuneration and incentive structures.

- KBL and their clients.
- The Relevant Persons and their clients.
- One client and another.

In order to identify circumstance that may constitute or give rise to a conflict of interest, and thereby entail a risk of damage to the interests of clients, KBL must determine whether it, or a Relevant Persons:

- Is likely to make a financial gain or avoid a financial loss at the expense of a client.
- Has an interest in the outcome of a service provided to, or a transaction carried out on behalf of, a client that is different from the client’s interest in that outcome.
- Has a financial or other incentive to favour the interest of another client or a group of clients over the interests of the client.
- Carries on the same business as the client.
- Receives or will receive an inducement from a third party in relation to a service provided to the client.

In carrying out an assessment of situations presenting actual conflicts, Compliance will consider the following factors:

- The role and duties of the staff member in question.
- How the potential conflict can influence the role, duties and decision-making of staff members who may be affected by the conflict.



- Whether the potential conflict can be prevented or managed sufficiently.
- Where the potential conflict cannot be mitigated or managed sufficiently, what changes or actions the staff members affected by it would need to make to rectify or remove the conflict.
- Whether the potential conflict could compromise the impartiality and integrity of any staff member affected by it and damage the firm's reputation.
- How the potential conflict could be perceived externally, for example, by clients, statutory bodies, media organisations and the general public.

In assessing the above, KBL will consider all risks to clients.

## **2.2. Identifying Conflicts of Interest**

The Relevant Persons are required to declare actual, perceived or potential conflicts of interest, and are encouraged to seek advice from Compliance when in doubt.

KBL maintains a Conflicts Map (see Appendix 1) of identified generic, actual or potential conflicts that may have an adverse impact clients' interests.

### **2.2.1. Investment Research & Non-Independent Research**

Currently, KBL does not produce Investment Research (as defined in the FCA Handbook) but a number of Relevant Persons dedicate a significant portion of their time to producing promotional and research communications material which includes:

- Financial promotions;
- Market commentary; and
- Non-independent research.

Any material which is considered to amount to more than market commentary will require pre-approval from Compliance, and any material which is considered formal or informal market commentary will also be monitored by Compliance.

To ensure that the interests of the Relevant Persons, who are involved in the production of promotional and research communications material ("Research Analysts"), do not conflict with the interests of clients to whom the communication is disseminated, KBL has documented various requirements which the Research Analysts must apply.

### **2.2.2. Outside Business Interests**

A conflict of interest may arise in respect of outside business interests ("OBIs") and KBL has in place policies and procedures to ensure that conflicts of interest arising from such activities are identified, managed or avoided.

The Relevant Persons are permitted to hold OBIs provided that they do not:

- Create actual or potential conflicts of interest; or



- Affect the abilities of individuals to perform their roles and fulfil their obligations to KBL and KBL's clients effectively.

OBIs must be declared upon joining the firm, annually and whenever a change occurs in their personal or business circumstances.

All identified OBIs are recorded by Compliance in the Conflicts Log, reviewed periodically and utilised for conflicts management purposes.

### **2.2.3. Personal Account Dealings**

A conflict of interest may arise as a result of the personal trading activities of the Relevant Persons, therefore, under KBL's Personal Account Dealing Policy, the Relevant Persons must disclose and obtain approval for personal trading accounts and obtain pre-clearance for specific trading activity.

The approval or rejection of a trading request is based on consideration of KBL's activities, engagement with clients and potential or actual conflicts of interest which may arise due to the personal trading activities.

### **2.2.4. Remuneration**

KBL must take all appropriate steps to identify and prevent or manage conflicts of interest that may arise due to its remuneration and incentives structures and practices.

KBL maintains a Remuneration Policy for Relevant Persons who are engaged in control functions, receive total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm's risk profile ("Remuneration Code Staff").

The purpose of the Remuneration Policy is to:

- Avoid conflicts of interest;
- Encourage responsible business conduct and the fair treatment of clients; and
- Discourage risk-taking that is not in line with KBL's risk appetite and overall business objectives and values.

Remuneration Code Staff must not be remunerated, or have their performance assessed in a way that conflicts with their duties to act in the best interests of clients. Accordingly, the underlying principles of KBL's Remuneration Policy are as follows:

- Performance factors are designed to encourage Remuneration Code Staff to act in clients' best interests.
- Remuneration and incentive packages are based on the following quantitative and qualitative factors:

#### **Quantitative Factors:**

- Various performance factors;
- Seniority;
- Compensation level from the prior year(s); and
- Market factors.



#### **Qualitative Factors:**

- Compliance with the Applicable Law;
  - Fair treatment of clients; and
  - Quality of service provided to clients.
- An appropriate balance is maintained between fixed and variable components of remuneration.
  - Assessments of the remuneration and incentive packages are made annually.

The Remuneration Policy is reviewed annually by the Audit Committee, Remuneration Committee and Senior Management, who first seek advice and guidance from Compliance before approving the policy.

The Board and Senior Management are also responsible for the day-to-day implementation of the policy and monitoring of compliance risks related to the policy, including conflicts of interest.

#### **2.2.5. Payments for Order Flow**

A payment for order flow ("PFOF") is the practice of receiving a fee or commission from both the client originating the order and the market maker with whom the trade is then executed. This gives rise to a direct and self-created conflict of interest between KBL and its clients.

All Relevant Persons are prohibited from the practice of PFOF unless they are able to demonstrate that the conflicts of interest can be managed adequately.

If they cannot be managed adequately to ensure, with reasonable confidence, that the risk of damage to clients' interests can be prevented, the nature of the conflicts and the associated risks to the clients must be disclosed in accordance with the disclosure rules before undertaking any business for the clients.

Disclosure must only be used a measure of last resort. Over reliance on disclosure without adequate consideration as to how conflicts can be appropriately managed is not permitted.

The following actions would not be sufficient to mitigate conflicts:

- Equalising commissions paid by market makers providing quotes.
- Disclosure of payments.
- Re-categorising clients from 'professional clients' to 'eligible counterparties'.

*Re-categorisation should only be done at the request of clients and must be compliance with the rules set out in COBS 3.*

#### **2.2.6. Gifts and Entertainment, Bribes and Inducements**

##### **Gifts and Entertainment**

Giving or accepting inappropriate gifts or entertainment is strictly prohibited, and to assess the appropriateness of a gift, the Relevant Persons must consider whether or not it:

- Is designed to enhance the quality of the service to the client;



- Is conducive to or required for business discussions;
- Could infringe KBL or the Relevant Person's duty to act in the best interests of the client; and
- Could create actual or potential conflicts of interest that adversely affect certain client' interests.

This involves analysing factors such as the:

- Nature of the benefit;
- Monetary value of the benefit;
- Location and venue (for entertainment);
- Other attendees (for entertainment); and
- Different components of a hospitality event (for example, dinner following a conference). Each component would be considered on its own merit.

Compliance maintain a sufficient record of all gifts and entertainment provided or received by the Relevant Persons.

### **Bribes**

KBL takes a zero - tolerance approach to bribery and corruption and has strict measures in place to guard against corruption perpetuated or assisted from within KBL. The firm's Anti-Bribery & Corruption Policy has been designed to ensure that Relevant Persons:

- Understand the relationship between conflicts of interest and corruption;
- Are proactive in deterring and detecting misconduct; and
- Conduct their business honestly and ethically.

The annual training provided further educates the Relevant Persons on the issue of bribery and corruption and sets out the consequences of undeclared acts of bribery.

### **Inducements from Third Parties**

KBL regularly evaluates its relationships and business activities with third parties, including assessing whether receiving benefits from them may constitute improper inducements and result in conflicts of interest.

KBL and the Relevant Persons are generally prohibited from retaining fees, commissions, monetary benefits and non-monetary benefits (other than the minor non-monetary benefits listed below) by any third party in relation to the provision of services to clients, as they will not be regarded as fulfilling their duty to manage conflicts of interest or their duty to act in clients' best interests if they do so. Any such benefits received must be passed onto clients.

The prohibition does not apply to the minor non-monetary benefits set out in Article 12 of the Commission Delegated Directive (C2016) 2031. The receipt of such benefits is allowed provided that:

- They are capable enhancing the quality of services provided to clients;
- They are of a scale and nature that would not impair the ability of the Relevant Persons to comply with their duty to act honestly, fairly and professionally, in accordance with clients' best interests;
- The nature and amounts or values of the benefits are clearly disclosed to the clients before any services



are provided to them;

- The clients are informed immediately after the benefits are received; and
- The clients are informed (where applicable) of any mechanisms for transferring the benefits received.

Payments or benefits which are necessary for, or enable the provision of, investment services, will also not give rise to conflicts with the firm's duty to act honestly, fairly and professionally, in accordance with clients' best interests.

With any other monetary or non-monetary benefit, KBL must assess whether the benefit will:

- Enhance the quality of the service provided to the relevant client; or
- Impair the ability of KBL and the Relevant Persons to comply with their duty to act honestly, fairly and professionally, in accordance with the clients' best interests.

### **2.2.7. Third Parties and Vendors**

Conflicts of interest may arise with regards to third parties and vendors, therefore, KBL operates controls, policies and procedures to manage its interaction with them. This includes carrying due diligence to assess their suitability and putting in place contractual arrangements to protect the interest of KBL and its clients.

KBL's Procurement Policy governs the appropriate handling of relationships with vendors.

### **2.2.8. Personal Relationships**

Where there are personal relationships between the Relevant Persons and individuals or entities in the same industry or connected to KBL, the Relevant Persons are subject to increased monitoring to ensure that the interests of clients are not being jeopardised and, where necessary, blocks are put into place to prevent the Relevant Persons from dealing with and/or benefiting from that relationship.

## **2.3. Declining to Act**

There may be situations where it is not possible for KBL to manage a conflict of interest and it is deemed to be in the best interest of the client for KBL to decline the instruction. This is unlikely to happen, but should that be the case, the Relevant Person will escalate the matter to Compliance and issue the necessary communication to the client.

## **3. Control Frameworks and Procedures**

The following control frameworks and procedures have been designed to assist the Relevant Persons in identifying, preventing and managing conflicts of interest.

### **3.1. Identification of Conflicts of Interest**

#### Induction Process



Upon joining the firm, the Relevant Persons are required to provide information on their OBIs to enable KBL to assess whether or not they give rise to actual or potential conflicts of interest, which may have an adverse effect on clients' interests. If so, further assessments are made to determine whether or not it will be possible to manage the conflicts effectively.

#### Ongoing Review and Assessment

The Relevant Persons are required to continually consider and assess whether or not situations that arise through their roles, activities and OBIs constitute actual or potential conflicts of interest and thereby pose a risk of damage to KBL's clients

Should they identify situations that do constitute actual or potential conflicts of interest, they are required to notify Compliance immediately so that appropriate steps are taken to prevent or manage the conflicts.

#### Annual Review and Assessment

KBL operates an internal control environment underpinned by a framework that articulates risk, control and reporting responsibilities in a consistent operating model. This requires the independence of control functions, including Compliance, Risk, and Internal Audit.

Compliance carry out an annual review and assessment of this Policy and the associated control frameworks and procedures to ensure that they are:

- In compliance with Applicable Law; and
- Appropriate and robust in dealing with conflicts of interest effectively.

### **3.2. Segregation and Information Barriers**

#### Segregation

KBL operates a clear structural segregation of business divisions and infrastructure functions to allow for the independent running of businesses and infrastructure functions.

Each business division and infrastructure function reports to a nominated member of Senior Management who is responsible for overseeing and managing the business division.

#### Information Barriers

Where an actual conflict of interest has been identified, information barriers will be put in place to prevent or control the flow of confidential and inside information. This includes physically separating the Relevant Persons involved in the conflict and restricting access to electronic physical documents and files.

KBL has documented protocols for setting up and maintaining information barriers, which is overseen and monitored by Compliance.



### **3.3. Remuneration Committee**

KBL has a Remuneration Committee, the main function of which is to assist the Board and Senior Management in developing and administering a fair and transparent procedure for setting the Remuneration Policy on the overall human resources strategy of the firm and for determining the remuneration packages for the Remuneration Code Staff, on the basis of their merit, qualifications, and competence, professional conduct, compliance with Applicable Law, and also having regard to KBL's operating results and comparable market statistics.

All material remuneration decisions must be approved by the Remuneration Committee.

The franchises and appointed representatives of KBL fall outside the scope of the Remuneration Policy. However, in the establishment of contractual relationships with these parties, payments for services will take at the very least take into account their professional conflict, compliance with Applicable Law and any potential or actual conflicts of interests.

### **3.4. Supervision and Escalation Arrangements**

The Relevant Persons are appropriately supervised by Senior Management on a regular basis, and within each team at KBL, there are defined hierarchy and escalation structures to ensure that:

- Clients are treated fairly;
- Potential or actual conflicts of interest are identified and prevented or managed;
- Work undertaken by the Relevant Persons meets the objectives of KBL, including its risk appetite; and
- Any errors identified or complaints received are dealt with quickly and efficiently.

KBL also operates escalation and resolution procedures for conflicts of interest which the Relevant Persons must follow.

In the absence of a specific escalation process, the Relevant Persons must inform Compliance of the existence and nature of the conflict of interest.

### **3.5. Record Keeping**

The Conflicts Log and Conflicts Map are maintained by Compliance. These are updated annually or as and when required.

The information captured includes, but is not limited to:

- Identified actual or potential conflicts of interest;
- OBIs;
- PA Dealings;
- Gifts and entertainment requests, approvals and receipts;
- Benefits received from third parties;
- Promotional material and approvals;
- Communications; and



- Annual declarations.

Records relating to conflicts of interest will be retained for a period of 7 years.

### **3.6. Training and Awareness**

KBL's annual compliance training programme, which all Relevant Persons must partake in, includes a specific segment on conflicts of interest which is intended to train them on how to recognise and avoid conflicts of interest, particularly with regards to dealing with clients and suppliers, OBIs and gifts and entertainment.

### **3.7. Whistleblowing**

KBL provides appropriate channels for the whistleblowing of conflicts of interest within the firm where a Relevant Person considers this to be the appropriate channel to draw the matter to the attention of the firm.

The Whistleblowing Policy sets forth the procedures for Relevant Persons to report any concerns or suspicions regarding possible violations of Applicable Law, or possible violations of the firm's policies, standards or procedures.

## **4. Breach of Policy**

Failure to comply with any of the requirements set out in this Policy and associated policies may result in disciplinary action up to, and including, dismissal. In determining the level of disciplinary action in any particular case, the seriousness and/or frequency of the offence will be taken into account.

In addition, the Relevant Persons may run the risk of fines, penalties, judgments, damages, and settlements related to regulatory or legal actions against KBL and them as individuals.

## Annex 1

### Conflicts Map

#### Kyte Broking Limited - Conflicts of Interest Management

