



KYTE BROKING LIMITED

CONFLICTS OF INTEREST POLICY

Document Control

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1. OBJECTIVE

- 1.1. This policy sets out the approach of Kyte Broking Limited ('the Firm') in relation to the management of actual and potential conflicts of interest.
- 1.2. The Firm is committed to its responsibilities towards promoting the integrity and stability of the wholesale markets in which it operates.
- 1.3. Senior Management is responsible for putting a framework in place and implementing systems, controls and procedures to identify, escalate and manage conflicts of interest. Every Responsible Person, however, is responsible for identifying and escalating potential conflicts of interest so that they may be appropriately managed and resolved
- 1.4. The failure to identify, escalate and appropriately manage actual or potential conflicts of interest and to comply with relevant Rules may expose the firm and Relevant Persons to fines, penalties, judgments, damages, and settlements related to regulatory or legal actions and may result in damage to the Firm's reputation and a general loss of trust in the Firm.

2. DEFINITIONS

2.1. Client

A client is any entity to which the Firm either provides or potentially may provide an investment service or ancillary service (as set out in Annex 1) or other regulated activity.

2.2. Conflict of interest

- a situation where the potential exists to undermine the impartiality of an entity or person due to the possibility of a clash between that entity's or persons self-interest and that of another party; and
- a situation in which a party's responsibility to a second party limits its ability to discharge its responsibility to a third party.
- a situation where there exist divergent interests between clients.

3. BACKGROUND

- 3.1. There are many varieties of conflicts of interest that apply to a wide range of behaviours and circumstances. Typically, a conflict of interest arises when two or more persons have competing interests and a duty of care or trust exists between those persons. A Relevant Person may face a conflict of interest in the course of performing his/her functions at the Firm which could have the potential to compromise or bias his or her professional judgement and objectivity or otherwise hinder the proper discharge of duties and responsibilities owed by the Relevant Person to the Firm. Failure to recognise and appropriately manage conflicts of interest could result in inappropriate or adverse consequences for Clients, the Firm and Relevant Persons.
- 3.2. Conflicts of Interest arise where:
 - i. The interests of the Firm conflict with those of a client;
 - ii. The interests of one client of the Firm conflicts with those of another client of the Firm;
 - iii. The Firm has obtained confidential information relating to an existing or former client which would be of value to another part of the Firm or to other clients of the Firm;



- iv. The interests of any Relevant Person (as defined in Section 4.1 below) conflicts with the interests of a client of the Firm or the interests of the Firm itself; and
- v. The interests of a client of one business unit or legal entity within the Firm's group conflict with the interests of a client of another business unit or legal entity within the Firm's group.

3.3. With regards to the requirement to manage conflicts of interest, the categorisation of the Firm's client has no bearing as to the need to put the interests of the client ahead of those of the Firm, i.e. the obligation is placed upon the Firm regardless as to whether its client is categorised as an Eligible Counterparty or a Professional Client.

4. SCOPE

4.1. This policy should be read in conjunction with the following documents:

- i) Order Execution Policy
- ii) Anti-Bribery and Corruption Policy
- iii) Payment for Order Flow Policy
- iv) Treating Customer Fairly Policy

4.2 This policy applies to the Firm, its employees, agents, tied agents and Appointed Representatives (collectively, "Relevant Persons").

5. LEGAL AND REGULATORY FRAMEWORK

- 5.1. Financial Conduct Authority ('FCA') Handbook – Senior Management Arrangements, Systems and Controls Sourcebook ('SYSC') – Chapter 10.
- 5.2. Directive 2014/65/EU of the European Parliament and the Council ("MiFID II")
- 5.3. Commission Delegated Directive (EU) 2017/593 ("MiFID Org Regulation")
- 5.4. Commission Delegated Regulation (EU) 2017/565
- 5.5. ESMA Q&A on MiFID II and MiFIR investor protection topics (June 2017)

6. IMPACT OF A CONFLICT OF INTEREST

- 6.1. Examples of scenarios where potential or actual conflicts of interest may arise are set out in Section 2.2 above. It is **not** enough that:
- i. the Firm may gain a benefit if there is not also a possible disadvantage to a client; or
 - ii. that one client to whom the Firm owes a duty may make a gain or avoid a loss without there being an accompanying possible loss to another such client.

7. APPROACH TO IDENTIFYING CONFLICTS OF INTEREST

- 7.1. The Firm recognises the importance of identifying and preventing or managing conflicts of interest.
- 7.2. The Firm have documented assessment of conflicts arising from their business, as described in Annex II of this Policy. The Firm also maintains a Conflicts Map which identified generic, actual or potential conflicts that may have an adverse impact on client's interest. The map is set out in Annex III of this Policy.



- 7.3. In making the assessment, the Firm take into account the investment service the relevant business unit or function provides to a client when identifying potential or actual conflicts of interest by evaluating:
- i. The organisational structure of the Firm;
 - ii. The execution of orders;
 - iii. The receipt and transmission of orders for execution;
 - iv. The handling of client orders;
 - v. The provision of research;
 - vi. Inducements, including Payment for Order Flow;
 - vii. Client confidentiality;
 - viii. Product governance; and
 - ix. Remuneration.

8. THE RECORDING OF CONFLICTS OF INTEREST

- 8.1. Any potential or actual conflicts of interest will be recorded in a Conflicts Log.
- 8.2. The Conflicts Log will document the following information in relation to each identified potential or actual conflict of interest:
- i. The date the conflict of interest was identified;
 - ii. The name of the individual who identified the conflict of interest;
 - iii. The type of conflict of interest (Firm versus client etc.);
 - iv. Details of how the conflict of interest is managed.
- 8.3. The Conflicts Log will be maintained by Compliance who will record all identified conflicts.

9. CONTROLS TO PREVENT OR MANAGE CONFLICTS OF INTEREST

- 9.1. The Firm will implement and maintain controls to prevent and manage potential or actual conflicts of interest.
- 9.2. These include but are not limited to:
- i. Policies
 - Order Execution Policy
 - Research Policy
 - Gifts and Entertainment Policy
 - New Business Initiative Policy



- Personal Account Dealing Policy
- Payments for Order Flow Policy
- Treating Customer Fairly Policy
- Remuneration Policy

- ii. Information Barriers
- iii. Disclosure of outside business interests
- iv. Training

10. DISCLOSURE

- 10.1. The Firm will treat disclosure of a conflict of interest as a measure of last resort to be used only where its internal arrangements to prevent or manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented.
- 10.2. The disclosure of a conflict of interest by the Firm to a Client does not exempt the Firm from the obligation to maintain and operate effective organisational arrangements and controls.

11. ESCALATION TO COMPLIANCE

- 11.1. Relevant Persons must report any suspected actual or potential conflict of interest to Compliance in order for it to be recorded on the Conflicts Log.
- 11.2. Compliance will escalate any reported conflict of interest to the appropriate members of management to ensure controls are assessed to manage or prevent the reported conflict.
- 11.3. Any conflicts that may arise during the course of business will be logged on the Conflicts Register. These records will be maintained and updated on a regular basis and will be retained for a minimum period of 6 years.

12. THIRD-PARTY PAYMENTS

- 12.1. The Firm will only receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue provided the Firm complies with the FCA Guidance and it would not infringe any of the requirements in relation to conflicts of interest.
- 12.2. Where the Firm does receive third-party payments, which do not infringe the requirements on conflicts of interest, the Firm will, at client's request, provide client with information about any inducements that the Firm may receive from execution venues. The information will specify the fees charged by the Firm to all counterparties involved in the transaction, and where the fees vary depending on the client, the information shall indicate the maximum fees or range of the fees that may be payable.
- 12.3. Where the Firm charges more than one participant in a transaction, (in compliance with Article 24(9) of MiFID II and its implementing measures), the Firm will inform its client of the value of any monetary or non-monetary benefits received by the Firm.

13. BUSINESS RESPONSIBILITIES

To ensure the Firm operates effective systems and controls for the management and oversight of conflicts of interest, the Firm operates a control environment based upon the 'three lines of defence' model:



- 13.1. First Line of Defence is the business which is responsible for identifying and recording conflicts of interest and for ensuring adequate controls are in place to manage or prevent potential or actual conflicts of interest.
- 13.2. Second Line of Defence is Compliance and Risk. Compliance is responsible for reviewing all appropriate policies and procedures implemented to manage or prevent any potential conflicts of interest. Compliance will also maintain the Conflicts Log and ensure that reviews of conflicts are performed by the First Line of Defence in a timely manner. Risk will ensure that conflicts of interest are included in all internal risk assessments.
- 13.3. Third Line of Defence is Internal and External Audit. Internal Audit will review the Firm's framework for managing and preventing conflicts of interest to provide independent assurance that it is both robust and appropriate.
- 13.4.

ANNEX I: INVESTMENT SERVICES AND ACTIVITIES & ANCILLARY SERVICES

- 13.5. Investment services and activities:
 - (1) Reception and transmission of orders in relation to one or more financial instruments;
 - (2) Execution of orders on behalf of clients;
 - (3) Placing of financial instruments without a firm commitment basis;
 - (4) Operation of an OTF;

ANNEX II: ASSESSMENTS WHERE CONFLICTS MAY ARISE AT THE FIRM

Conflict	Mitigation/Control
<p>Between different clients, e.g. where two clients place orders to buy/sell the same financial instrument and there is a potential financial interest for KBL to treat one client more favorably.</p>	<p>In accordance with Firm’s Treating Client’s Fairly Policy, brokers are required to observe high standards of commercial honour and deal with all customers fairly. Orders should be executed according to the firm’s Order Execution Policy which does not allow brokers to discriminate against clients based upon commission paid. Undue preference is also not given to certain clients when orders are aggregated.</p> <p>Compliance monitors the audit trail of orders initiated by Professional Clients to ensure that ECPs are not prioritised over them.</p>
<p>Research Analysts may have a vested interest in promoting Firm’s products and services even if it is not in the clients’ interests.</p>	<p>Research sent to client is clearly labelled as marketing communication and contains appropriate disclosures. Compliance approved all Research materials in accordance with the Research Policy.</p>
<p>The Relevant Persons have relationships with clients/employees at other trading venues or any other relationships which could cause a conflict of interest.</p>	<p>The Relevant Persons must make annual declarations on any conflicts of interest. These are retained and monitored in the Conflicts Log. Additionally, it is the Firm’s policy not to incentivise staff introductions. There is also annual conflicts of interest training which is mandatory for all Relevant Persons.</p>
<p>Choosing to use KBL’s OTF over other trading venue when it is not in the client’s interest.</p>	<p>All orders placed on the OTF must comply with KBL’s Order Execution Policy which follows Best Execution principles and will also be subject to review and monitoring by Compliance.</p>
<p>The Relevant Persons trade ahead based on specific information of trades executed by a client, including working orders.</p>	<p>Although the Relevant Persons are permitted to deal on their own accounts, this must be in accordance with the strict confines of the Personal Account Dealing Policy. The Relevant Persons are required to provide Compliance with full disclosure of their personal dealing account upon joining and any subsequent changes. Compliance also monitors trading activity for any suspicious activity.</p>
<p>Research Analysts dealing, in their own personal accounts, with asset classes and associated asset classes on which their promotional and research material is based.</p>	<p>Research Analysts are prohibited from dealing in their own personal accounts with asset classes and associated asset classes on which their promotional and research material is based.</p>
<p>Discretion may be used in a way which is not in the client’s best interest on the OTF.</p>	<p>All orders placed on the OTF must comply with KBL’s Order Execution Policy which does not permit the OTF to exercise bias when exercising the discretionary</p>



	<p>element of the OTF and will also be subject to review and monitoring by Compliance.</p>
<p>KBL's remuneration and incentives structure may encourage the Relevant Persons to act in a way which is not in the best interest of clients.</p>	<p>Remuneration is overseen by the Remuneration Committee. One of the key aims of the Committee is to ensure that remuneration does not encourage inappropriate behaviour/ or behaviour that adversely affects client interests. Although there is a discretionary bonus scheme, this typically makes up a small part of a Relevant Person's overall compensation. Complying with the Firm's policies and procedures is a prerequisite for receiving any discretionary compensation.</p> <p>Self-employed brokers and appointed representatives are not subject to the above.</p> <p>They are paid on a percentage basis of commissions received.</p> <p>The self-employed brokers' compensation scheme comprises a commission share percentage of revenue generated, but does not entail a monthly draw. If a broker made no revenues in a given month, s/he would not receive any revenues.</p> <p>The appointed representatives' compensation scheme comprises a commission share percentage of revenue generated and a monthly advance draw which is deducted in the calculation of total commission share. If a broker's commission share percentage doesn't cover the amount of advance draw paid, the Broker Services Agreement allows for a claw-back to the appointed representative of the difference.</p>
<p>Gifts and entertainment given or received may cause a conflict of interest where a person is unduly influenced to act in a certain way based upon gifts or entertainment they have either given or received.</p>	<p>All Relevant Persons must certify on an annual basis that they have read and understood the Gift and Entertainment Policy. Employees also receive annual training so that they are able to identify when they may be in contravention of the Policy.</p>
<p>Payments for Order Flow where a conflict can arise between the Firm and client when receiving a fee or commission from both the client originating the order and the market maker with whom the trade is then executed</p>	<p>The Firm maintain a PFOF Policy which takes into account various FCA's PFOF Guidance. Relevant persons are prohibited from the practice of PFOF when dealing with Professional Client. Relevant Persons are given face-to-face training on permitted PFOF practice. The Firm puts systems and controls in place to monitor PFOF</p>

ANNEX III: CONFLICTS MAP

Kyte Broking Limited - Conflicts of Interest Management

