



Axi Financial Services (UK) Limited

Conflicts of Interest Policy

## 1. INTRODUCTION

The following is a summary of the policy that Axi Financial Services (UK) Limited (“Axi”, “the Company”, “we”, “us” or “our”) maintains to manage Conflicts of Interest:

Our parent company in Australia, AxiCorp Financial Services Pty Ltd, and its subsidiaries and branches are obligated to have adequate arrangements in place for the management of conflicts of interest that may arise wholly, or partially, in relation to the provision of financial services by the licensee, or a representative of the licensee.

Having adequate conflicts management arrangements helps us comply with our general obligation to operate efficiently, honestly and fairly. It will also help Axi establish and maintain a reputation for integrity in the provision of financial services and ensures that the quality of their financial services is not significantly compromised by conflicts of interest.

## 2. PURPOSE

Axi has in place a series of policies and procedures to ensure that at all times the well-being of its clients’ interests is put at the forefront of its business ethos and operations.

This Policy has been established as Axi is legally required to take all steps that it reasonably can to identify any conflicts of interest that may occur between itself, its clients, its employees and any associated third parties or affiliates.

This Policy may be reviewed and amended at any time. This document is not intended to create third party rights or duties or form part of any contractual agreement between the firm and any client.

## 3. MANAGING CONFLICTS OF INTEREST

### Overview

We must identify, assess, manage and, where necessary, disclose conflicts of interest. To do this, we take the following approach:

1. Conflicts/potential conflicts are identified; and
2. Identified conflicts are assessed and evaluated.

Axi constantly monitors the behaviour and action of its staff, shareholders, associated companies and other clients to ensure that they do not benefit from their actions at the expense of a client.

Conflicts can arise due to various reasons some of which are outlined below:

- If Axi or an employee makes a financial gain or avoids a financial loss at the expense of the client;
- If Axi or an employee is carrying on the same business as the client;
- If Axi or an employee receives an inducement other than what is a standard Axi fee;

- If Axi or an employee has a personal incentive for favouring one client over another;
- If Axi or an employee has an interest in the outcome of a service made to the client which is distinct from the clients;
- If Axi benefits in an unfair way from its handling of the client.

## **Identifying Conflicts**

We identify conflicts through a number of processes:

- attestation processes for all employees;
- each employee declares their own conflicts by adding them to the Conflicts Register;
- review of the organisation overall to identify where the interests of employees in different departments might create conflicts;
- review of the organisation to identify where employees might have interests that could potentially conflict with either the interests of Axi or one of its clients;
- review of the business, its operations and services to see how these may conflict with the interests of clients;
- review remuneration arrangements for employees to ensure that there are no conflicts of interest that might arise or to ensure that it is appropriately disclosed.

## **Assessment and Evaluation of Conflicts**

In general, assessment of a conflict will involve an assessment on the likelihood of it materialising and the consequences if it does materialise. This also involves ensuring that clients are treated fairly. That is, financial services are not provided in a manner calculated to advance the business' own or our employees' interests unfairly ahead of clients' interests or unfairly advance one client's interests ahead of another client's interest.

Action required may involve ceasing the activity that results in the actual or potential conflict, continuing the activity in a restricted way.

When dealing with retail clients, we must prioritise the clients interest over our own if we are aware of a conflict or ought reasonably to be aware of a conflict.

At all times transparency is imperative, and a record should be kept of any conflicts, and if serious they should be disclosed to the FCA and if necessary the client. This is not a defence nor a management tool, as the conflict should not have occurred with proper Systems and Controls in place to begin with.

## **Responding to Conflicts**

There are two primary ways to respond to a conflict of interest, whether actual or potential:

1. Manage or control the situation giving rise to the conflict.
2. Avoiding the situation giving rise to the conflict.

Additionally, where an actual conflict has arisen there may be a need to initiate disciplinary action against employees involved in the conflict if there is a significant negative impact on the business.

## Managing the Conflicts

Managing the conflict involves identifying the operational risk and implementing controls to mitigate the likelihood that the risk will occur.

We manage any identified conflict via the following mechanisms:

- Reporting lines – having a clear organisational structure that separates the Risk and Compliance function reporting lines from our client-facing teams;
- Client file reviews – Compliance will carry out periodic reviews of client files and portfolios to ensure that there has been no conflict in the advice provided or transaction executed (if applicable);
- Having an Insider Trading/Information Barriers Policy along with Staff Trading Policy to manage the flow of sensitive information;
- Principal trading activities are segregated from client trading activities;
- Having a Clear Desk Policy.
- Restricted Data Access – databases have access restrictions attached to them to prevent conflicts arising from inadvertently seeking private information;
- Restrictions on connected persons;
- Management of specific types of conflicts is documented in Section 4.

## Avoiding the conflict

This involves identifying the cause of the conflict and avoiding that activity or finding an alternative way to deliver the activity that does not create the conflict.

In support of avoiding conflicts, the following acts are explicitly prohibited when applied to the sale, arranging or dealing with any client or counterparty on behalf of Axi or in the course of arranging or dealing with an intermediary, agent or counterparty in any financial instrument:

- soliciting a client or counterparty to acquire, hold or dispose of a financial product by providing an opinion that would be interpreted as an assurance that a profit is certain or that a loss may be avoided or reduced;
- soliciting a client or counterparty to acquire, hold or dispose of a financial product by guaranteeing any profit;
- continuing to solicit a client despite the fact that the client has expressed that he/she does not wish to acquire Axi's services (or has expressed that he/she does not want to be solicited again);
- participating in any arrangement to provide or receive a financial benefit either directly or through a related party through transactions that have no other obvious economic purpose;
- booking a false transaction or otherwise delaying or mis-booking a transaction or mismarking positions with the intention of avoiding or delaying the recognition of a loss or overstating a profit; or
- taking monies, securities or other assets belonging to a client's account or taking margins or other security deposits based on the client agreement by using a false market quotation or through any other fraudulent means.

Any of the above actions, or act of omission with the same result, could lead to immediate dismissal for gross misconduct.

Avoiding any of the above prohibited acts, or any further conflicts can be done by:

- handing the client/counterparty to another employee that does not have a conflict, which ensures that Axi can continue to offer the service, while avoiding a conflict that is linked to a particular employee;
- declining to provide services to that particular client irrespective of the revenue impact that this decision may have on the organisation or the individual employee;
- restricting the nature of our services and not aligning ourselves with a particular product issuer; and
- removing commission based remuneration structures that drive preference for particular product types or product providers.

All Axi staff are aware of the importance of the Conflicts of Interest Policy and will report any situations if a conflict occurs.

The Compliance Department carry out regular monitoring within all areas of the Company's business to ensure there are no scenarios where a conflict may arise.

Axi has an Order Execution Policy which is followed in the event of more than one client having orders in the same market.

Axi segregates the duties of its employees and associated companies in such a way as to minimize the possibility of any conflicts arising.

At all times the mantra of Treating Customers Fairly is followed and that in itself is usually sufficient to ensure that no situations arise which might lead to a conflict of interest.

All Axi staff are required to adhere to company Personal Account dealing restrictions to further minimise the chance of any conflict arising.

### **Disclosing the conflict**

In the event that a conflict is discovered it must be declared immediately to the client or counterparty. This ensures that the impacted party is aware of the conflict and gives them an opportunity to raise an objection. Any disclosure of a conflict must:

- be timely, prominent, specific and meaningful;
- occur before or when the service is provided, allowing reasonable time for assessment; and
- refer to the specific service to which the conflict relates.

As a conflict arises from acting as principal to client transactions Axi has an obligation to disclose this to all clients prior to their dealing and obtain their written acknowledgement. We fulfil our obligations through the disclosures made in the Product Disclosure Statement and the terms of business (Client Agreement).

Clients provide their acknowledgement when providing consents and warranties on the account application process before the account is opened. We do not offer on market transactions similar to those that would be offered on a share market exchange and therefore, we do not front run or piggyback on a client order with regard to impacts on any price movements in a listed financial instrument.

## 4. MANAGING SPECIFIC TYPES OF CONFLICTS

### **Gifts and Entertainment**

Certain gifts or entertainment packages may be seen to create conflicts of interest and/or may be considered bribery and corruption or money laundering and counter terrorism financing.

It is recognised that gifts and entertainment may be part of conducting cordial business relationships in some cultures and therefore, notification of any gift received from a client or service provider must be provided to Compliance and recorded in the Gift and Entertain register together with an estimate of its value and approval must be sought.

We do not prohibit our staff from receiving small gifts and minor hospitality from other parties. However, no employee or director may accept from, or give to, any person any gift or other benefit that cannot properly be regarded as justifiable in any circumstance.

Employees may not accept gifts from, or provide gifts to, an individual or firm with whom they conduct, or intend to conduct, business on behalf of the firm unless it can be demonstrated that no conflict of interest (actual or perceived) is created by doing so.

Entertainment provided by an employee must fall within any expenses policy the firm may adopt and should not in any event create any conflict of interest. This rule applies even if the direct recipient of the gift or other benefit is the spouse or a child of the employee or some other third party. The provision or acceptance of gifts and entertainment should be consistent and proportionate with the corporate relationship.

It is the responsibility of employees to notify the firm of any gifts received.

### **Outside Business Activities (“OBAs”)**

Any outside business activities of Axi which may present a conflict of interest must be identified and accordingly dealt with. All new employees must declare any OBAs before they start working for the Company and existing employees must get approval before entering a new OBA. They will be recorded in the Outside Business Register and managed in the same way as a normal conflict of interest.

Any OBAs which are found to result in an actual, apparent or potential conflict will not be approved and the employee may potentially be required to exit that interest or their employment with Axi will be terminated.

### **Related Parties and Suppliers**

Employees must disclose any financial interest they or their immediate family have in any company which does business with Axi or which competes with it. We may require divestiture of such interest if it deems that the interest is in conflict with its best interests.

### **Staff Trading**

Employees may only undertake personal investment activities that do not breach applicable law or regulation, do not unduly distract from their employment responsibilities and do not create an

unacceptable risk to the firm's reputation.

Transactions should also be free from business and ethical conflicts of interest. Employees must never misuse proprietary or client confidential information in their personal dealings and must ensure that clients are never disadvantaged as a result of their dealings.

The Company's Personal Account Dealing Policy has been established to ensure that personal account dealing by members of staff comply with this policy.

### **Principal Trading**

We enter into back to back transactions immediately with our liquidity provider and hedge our net risk with third party counterparties. This means Axi's aims are more aligned with its clients notwithstanding that we are action as principal in all transactions.

### **Investment Recommendations**

We do not provide investment recommendations or advice, so there will not be a situation where a member of staff causes a conflict by giving advice. All staff are trained and aware of this and call monitoring is routinely conducted to ensure compliance.

### **Internal Processes**

The internal processes we use to prevent conflicts of interest include:

- the separation of duties;
- a physical separation between relevant divisions;
- different approvals and escalations within each team; and
- controls over the approval process and escalations.

Axi ensures there is a physical separation between relevant divisions and a segregation of reporting lines and escalations between the sales team, client execution trading desk, principal trading desk (that may be susceptible to conflicts of interest) with the Risk and Compliance Teams (that monitor and test the controls, and also may need to investigate and decided on the appropriate action to take in relation to conflicts of interest).

## **5. DOCUMENTATION**

### **Registers**

We ensure that any conflicts identified are documented appropriately through the use of registers which are kept for a minimum of seven years.