



ODL Markets

Conflict of Interest Policy

ODL C.O.I Policy November 2009

The purpose of the Policy is to set out the requirements for the company in respect of the potential conflicts of interest. The Policy is designed to give guidance on expected behaviours in relation to conflicts and may need to be read in conjunction with other documents, such as the Personal Account Dealing Policy, as indicated from time to time.

Who does the Guidance Apply to?

It applies to all staff employed or seconded to ODL Securities Limited (ODL). It also applies to all management and those working on long term contracting arrangements. It may also apply to ODL personnel where a conflict arises involving the Group.

Other Documents Which Need to be Considered.

In order to have a comprehensive understanding of your requirements to manage conflicts of interest you should also refer to:

Personal Account Dealing Policy
Compliance Manual
Principles and Approved Persons
Trading Guidelines
Relevant Rules & Regulations
Company Approach

The company respects its employees' privacy and therefore does not normally take an interest in personal conduct outside of work. However, when there is a potential conflict between and employee's personal conduct has the potential of interfering with the employee's loyalty and objectivity towards the group, a 'conflict of interest' may exist that must be satisfactorily resolved. You need to consider if the appearance of a conflict of interest can be harmful to you or the group.

We would remind you that you should always treat our counterparties, brokers and other third parties fairly, professionally and with integrity.

Mitigations/Controls

It is a mitigating factor through identification and management of the potential conflicts both senior management and individual employees. It is therefore essential that you read and consider the material presented to you and if you are in any doubt seek advice from you line manager or compliance.

You should also ensure you document and keep records of any training you receive whether internal or external.

Conflicts of Interest

What is a conflict of interest?

In the widest sense, a conflict of interest occurs where one person (A) owes a duty to another party such as a counterparty or employer (B) and that duty is compromised by either A's own interests or by a duty owes a third party. Such duties may arise, for example, where A acts as an agent for B, where A owes fiduciary obligations to B or as a result of a regulator imposing such duties.

Main types of conflict to consider

'Employee conflicts' where the personal interests of any employee conflict with the interests of the company itself or with a counterparty;

ODL counterparty conflicts where the interests of an ODL company and its counterparties either directly conflict or are more generally incompatible;

'Counterparty conflicts' where the interests of two or more counterparties either directly or are generally incompatible;

'Internal conflicts' where the interests of one internal entity conflicts with another internal entity.

Duty to raise conflicts of interest

Personal Conflicts

You should inform the appropriate line manager if you are aware of that you may be involved in an actual conflict of interest or if you become aware that there is a potential conflict of interest.

For personal conflicts that have been declared, the line manager in the first instance should investigate the conflict. He should also formally record that conflict and record the measures (if any) taken in managing the conflict. Equally, if there are no measures taken the reason for this should be noted.

Personal conflicts should also be considered in the light of the following:

- Gifts, entertainment and inducements – see company policies in your Compliance Manual/Handbook
- Personal investments - see Personal Account Trading Policies
- Outside business interests – such as an economic interest in a supplier to the company or a second job or serving as a director or consultant.
- Personal political interests – whilst we recognise an employees right to engage in the political process you must be clear that you do not represent the company and you must not use company property to engage in that process.
- Previous employment - you must not bring proprietary information or documentation from previous employers as this may involve the company in a breach of copyright or other risk of litigation.

Business Conflicts

You should consider the company's trading guidelines and if you suspect there is any conflict or have any concerns in relation to new or existing arrangements you should raise it with your line manager.

All other conflicts

You are expected to raise any queries or concerns about any other potential conflicts of interest with your line-manager, who will if appropriate escalate the matter to Compliance and/or a director.

Managing Conflicts of Interest

The company also needs to manage conflicts within the organisation. These may occur in relation to:

- The company's interest and those of a counterparty;
- One counterparty and another;
- Internal Group conflicts.

Potential conflicts between the company and those of a counterparty

The company needs to record and evaluate each of the conflicts that could arise

E.g. proprietary book and client, how to manage the book and treat the client fairly

Pricing mechanisms - record why these are fair to the client

Dealing and recording client orders - front running, market abuse

Allocation of client orders- ensuing all clients receive a fair treatment

Aggregation of client orders etc.

Treatment of different categories of client - this may affect the level of treatment they need.

Conflicts between managing investments and dealing information, working client orders, managing client orders.

The conflicts should not be considered in isolation from the business units.

For example it is possible that some trading situations where a conflict arises may also pose the risk of market abuse e.g. commercial confidential information may also be insider information under the market abuse regime.

The company is involved in providing execution services to the Group and clients. In addition we provide, via our Group Company, investment research, personal recommendations and investment management services.

Investment research:

Research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuers of financial instruments, including any opinion as to the present or further value or price of such instruments, intended for distribution channels and it is labelled or described as investment research or in similar terms, or is otherwise presented as an objective or independent explanation of the matters contained in the recommendation.

Personal Recommendation:

Under MiFID there is also the concept of a personal recommendation where the advice on investments is represented as suitable for the person to whom it is made or is based on a consideration of the circumstances of that person (individual or corporate). You should further note that the highest client classification for advice is Professional (i.e. you cannot classify a client as an Eligible Market Counterparty).

It is therefore essential that the company considers and manages the conflicts between research, personal recommendation and investment management. In order to manage these conflicts it has been deemed necessary to erect a 'Chinese Wall' in the form of both physical and electronic barriers to information. This will aid in ensuring information flows are controlled coming into the company, within the company and leaving the company.

Company Directors

Company directors have a common law duty to act in the best interests of those companies where a conflict arises the director should declare this and take any action deemed necessary in order to manage the conflict.

Summary

In summary each of us needs to be aware of the potential conflicts and consider new events in the light of possible new, yet to be identified conflicts. You should always ask your line manager if you feel there may be a conflict as this will enable the management to give you the support necessary to ensure the conflict, if it is identified as such, is successfully managed.

Remember the company is part of a larger group and it is essential that the reputation of the company, which has been built-up over many years, is protected today and in the future.