



## Conflict of Interest

EFFECTIVE DATE: 3 JANUARY 2018

### Overview

The purpose of this Policy is to set out the requirements for BP PRIME as a trading name of BLACK PEARL SECURITIES LTD's (the "Firm", "BP") in relation to any conflicts of interest and is designed to give guidance on what is expected in relation to any conflicts that could arise. This Policy should be read in conjunction with the following to have a comprehensive understanding of the requirements:

- ◆ The Firm's Personal Account Dealing Policy;
- ◆ The Firm's Gifts & Entertainment Policy,
- ◆ Principles of Business, FCA Handbook;
- ◆ Statements of Principles, FCA Handbook;
- ◆ The Firm's Compliance Manual; and
- ◆ 6. Any other relevant rules and regulations.

This document records Black Pearl's policy for the identification, monitoring and management of actual and potential conflicts of interest that can arise between it and its clients in respect of its core activity of providing margin trading on a 'straight through processing' (STP) model.

### 1 Scope

This Policy applies to all directors, officers, employees, contractors and secondees (collectively, "**Personnel**" or "**Staff**"). The Firm respects all Personnel's right to privacy and therefore would not normally take an interest in their conduct outside work. There could however be a potential conflict between a member of staff's personal conduct and professional duties towards the Firm which should be resolved satisfactorily.

All Personnel are reminded that they should always treat the Firm's clients, counterparties, brokers and other third parties fairly, professionally and with integrity.

The Board will oversee and be accountable for the implementation of this policy and will do so in a manner that promotes the integrity of the market and the interests of clients. The day to day responsibility for this policy lies with the designated Compliance officer.



## 2 Introduction

Under the Financial Conduct Authority (“FCA”) Principles for Businesses - Principle 8 and Senior Management Arrangements, Systems and Controls Chapter 10 (SYSC 10), we are required to identify and manage conflicts of interest fairly. We acknowledge Markets in Financial Instruments Directive 2 2014/65/EU (MIFID 2) and the fact the FCA will apply this to UK regulation in January 2018.

## 3 Identifying Conflicts

As a regulated entity, the Firm must take “**all appropriate steps to identify and to prevent or manage conflicts of interest** between themselves, including their managers, employees and tied agents, or any person directly or indirectly linked to them by control and their clients or between one client and another that arise in the course of providing any investment and ancillary services, or combinations thereof, including those caused by the receipt of inducements from third parties or by the investment firm’s own remuneration and other incentive structures”. Article 23 (1).

When identifying a conflict of interest that may have a material risk of damage to the interests of a client, as a minimum, the Firm will consider, amongst other things, whether the Firm, its Personnel, a Group Entity or any other relevant person:

- ◆ Is likely to make a financial gain, or avoid a financial loss, at the expense of the client
- ◆ 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
- ◆ Has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client
- ◆ Carries on the same business as the client
- ◆ 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, other than the standard commission or fee for that service

It is important that staff consider:

- ◆ Their involvement of service as a manager or board member of any other firm.
- ◆ Any outside business activity
- ◆ Any connections with the counterparties we actively do business with
- ◆ The fees or commissions from counterparty clients
- ◆ Competing requirements between clients
- ◆ To receive or give entertainment that is not reasonable in cost or appropriate as to time, place and occurrence or falls outside the parameters set down in the firms’ gifts and entertainments policy.



## 4 Potential Conflicts

Personnel need to be aware of the potential conflicts the Firm could be faced with and consider new events in the light of possible conflicts. Conflicts may arise in three areas;

- ◆ **Personnel conflicts**, where the personal interests of any Personnel conflict with the interests of the Firm itself or with a counterparty of the Firm
- ◆ **Counterparty Conflicts**, where the interests of the Firm and its counterparties either directly conflict or are more generally incompatible or where the interests of two or more counterparties either directly conflict or are generally incompatible
- ◆ **Internal conflicts**, where the interests between the Firm's internal units conflict or where the interests between Firm and other Group entities conflict

Clear Conflicts of Interest are likely to arise under certain circumstances. It is crucial to consider that a Conflict of Interest is considered to be present when the interests of the firm and the firm's clients are at odds.

A member of staff may consider the following situations where a conflict is sure to arise when we:

- ◆ Carry on the same business as the client.
- ◆ Receive or may 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, services, outside of the standard commission normally charged to the client.
- ◆ Is likely to make a financial gain, or avoid a loss, at the expense of the client.
- ◆ 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.
- ◆ Has a financial or other incentive to favour the interest of one client over another or over the firms' interest

## 5 Managing Conflicts of Interest

The firm is required to be able to demonstrate that it **has taken appropriate steps to maintain and operate effective organisational and administrative arrangements to prevent conflicts of interest adversely affecting the interests of its clients.**

The FCA requires firms to identify all known conflicts, along with the method of dealing with the conflict.

A Conflict of Interest or potential conflicts of interest must be managed promptly and fairly. The Firm has put in place a proactive monitoring mechanism to manage potential conflicts: -

- ◆ **Compliance Reviews:** reviews are undertaken on a formal basis, having been developed in-house with advice from external advisers.
- ◆ **Compliance Manual:** all members of Personnel are required to declare that they have read and understood the Firm's Compliance Manual. The Manual provides detailed policy statements, instructions and procedures (with forms) for considerations.



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- ◆ **Compliance Forms:** the use of forms for Personnel to confirm personal responsibilities. These cover knowledge of the Firm's conflict policy, awareness of instances of conflict within the Firm, adherence to the Firm's code of conduct and ethical standards.
- ◆ **Compliance Training:** training programs are provided for Personnel, with ongoing refreshers and other more informal methods to raise Staff awareness of the Firm's policies and procedures, legal requirements and expectations in relation to ethics and code of conduct.
- ◆ Separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Firm.
- ◆ Limit on any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities.
- ◆ The Personal Account Dealing Policy specifies the rules and procedures on personal account dealing by Staff.
- ◆ The Gifts & Entertainment Policy will be implemented, which details the Firm's rules on the acceptance and offering of gifts and entertainment. BP acknowledges that any such hospitality is non lavish and reasonable where applicable.
- ◆ Order Execution Policy will be implemented, governing how the Firm deals with client orders to achieve the best result for the client.
- ◆ All Personnel will receive training on their duties and obligations regarding anti-money laundering, anti-bribery and corruption and market abuse.
- ◆ Relevant Personnel holding controlled functions will be suitably trained and competent and approved by the FCA.

The firm will normally manage any conflicts that arise internally or by establishing special arrangements such as Information Barriers (set out below). The firm may also decline to act for a client or disclose an interest to a client. We recognise that disclosure should be considered as a last resort (SYSC 10.1.8.) and only when the organisational and administrative arrangements established by the firm to prevent and manage conflicts are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented.

Where organisational or administrative arrangements made us to prevent conflicts of interest from adversely affecting the interest of its client are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, we will disclose to the client the general nature and/or sources of conflicts of interest and the steps taken to mitigate those risks before undertaking business on its behalf. In the event that disclosure is necessary we will make that disclosure in a durable medium and in sufficient detail so that the client may make an informed decision.

We acknowledge the FCA commentary on disclosing conflicts, especially that the best strategy to manage Conflicts of Interests to prevent the conflict from arising in the first place.

In the event conflicts are not properly identified and managed, they could lead to at least one of the following:

- ◆ Non-compliance with the FCA's Principle 6 whereby the firm should always act in the best interests of its clients.
- ◆ A loss of revenue for the firm.



- ◆ Legal action being taken against the firm either by clients or the regulator.
- ◆ Supervisory and enforcement action against either the firm or its controlled function staff

## 6 Information Barriers & Data Security

The access to sensitive information on computer drives is restricted by the use of passwords and user IDs. Computers are automatically locked if left unattended for a short period of time and employees are reminded not to leave their unlocked computers unattended. Employees are regularly reminded of the importance of data security.

All sensitive information is to be kept confidential and may not be shared with those who do not have a clear reason to be in possession of that information or to whom it is not relevant. Personnel who are in any doubt regarding the status, or position, of information which they have in their possession, or have access to, should consult with Compliance.

In order to complement the use of information barriers & data security, all staff should utilise the following good practices:

- ◆ Use project names or code words when talking in public areas or non-secure areas in the Firm;
- ◆ Use meeting rooms to discuss confidential or inside information;
- ◆ Refer all potential conflicts of interest to the Compliance Officer;
- ◆ Inform Compliance immediately if you believe that you are or may be in possession of inside information, even if received inadvertently;
- ◆ Obtain prior consent from a client if confidential information received is to be shared or used for purposes different to the capacity in which it was given;
- ◆ Notify Compliance of others you wish to make an 'insider';
- ◆ Consider if another member of Personnel's position will be compromised by his/her unwittingly becoming an insider;
- ◆ Keep confidential and inside information secure;
- ◆ Be aware of how long the inside information is likely to remain so, since holding it for a long period may only unduly restrict you or others in conducting other business; or
- ◆ Educate clients about the Firm's procedures, including disclosing those staff who should be contacted for specific reasons.

Personnel should be careful of the following prohibited practices:

- ◆ Disclosing confidential information to anyone who does not have legitimate business need to know;
- ◆ Disclosing confidential information to third parties without prior written consent;
- ◆ Breaching client confidentiality, even internally;
- ◆ Using confidential information or inside information to assist you in dealing with clients in the same sector.
- ◆ Using confidential or inside information for personal gain.



## 7 Attribution of Knowledge & Client Orders

When any regulatory rules apply to the firm when it acts with knowledge, the firm will not be taken to act with knowledge for the purposes of that rule if none of the relevant individuals involved on behalf of the firm acts with that knowledge as a result of arrangement established under SYSC 10.2.

Where we establish and maintain an Information Barrier, individuals on the “other side of the barrier” will not be regarded as being in possession of knowledge denied to them as a result of the Barrier. Acting as outlined above does not amount to market abuse, making misleading statements or engaging in misleading practices.

The Information Barrier procedures exist to protect employees from allegations of failing to use all available information when acting on behalf of their clients. We maintain Information Barriers as a matter of good practice

In order to ensure as fair treatment as possible for clients, BP's Best Execution Policy requires us to take all reasonable steps to achieve the best overall trading result for clients; to exercise consistent standards; and operate the same processes across all markets, clients and financial instruments in which it operates.

No undue preference should be given to any client when trades are aggregated. Re-allocation to any individual client may only be made to correct an error or to adjust an uneconomic initial allocation e.g. on a partial fill of an order. There may be occasions when client orders may have a material effect on a relevant price. In order to ensure that a broker does not take advantage of the situation by dealing on his/her own account or encouraging a third party to deal, BP has a strict "no front running" policy.

In order to ensure a fair and orderly dealing environment within the market, BP further ensures that its staff comply with provisions of the Market Abuse Directive, as well as the relevant FCA Rules, which aim to prevent insider trading, the misuse of information and market manipulation.

Clients are to be informed of the possibility that an order may be routed to a counterparty who is another Group Company, however no preference is given to the related counterparty and so no conflict will arise from the relationship in this context.

## 8 Segregation of Duties

BP will maintain a clear and appropriate sharing of responsibilities among its directors and senior management to ensure that everyone in the organisation is clear of their responsibilities and importance of such role in maintaining an effective system and control environment.

The firm is aware that segregation of duties is an effective way of preventing any potential Conflicts of Interest arising. The high-level purpose of segregation of duties is to ensure that no one member of staff, however senior, may commit the firms' assets or incur liabilities on behalf of the firm without



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impediment. We therefore do not allow any one individual to have unrestricted authority to do all of the following:

- ◆ Initiate a transaction
- ◆ Bind the firm
- ◆ Make payments
- ◆ Account for transactions

## 9 Commissions

We may receive fees or commissions from counterparties, where this is the case we will disclose this to relevant clients and in addition we have clear and appropriate conflicts management procedures in place to ensure that such fees and commission do not damage our client's best interests. BP do not receive payments for 'order flow'.

## 10 Personal Account Dealing

The firm has in place a strict personal account dealing policy designed to eliminate any conflict of interest which may occur in this regard. BP reviews and reports any personal account dealing on a monthly basis.

## 11 Gift and Entertainment

We have in place a Gifts and Entertainment policy which aims to detail the stance of the firm with respect to the gifts and entertainment and ensure partners understand their obligations. It also details the correct procedure that should be followed by staff to comply with its Anti-Bribery policy and not become involved with a conflict of interest.

The clients Gifts and Entertainment registers are reviewed monthly as part of the firms' regular compliance monitoring procedures.

## 12 Remuneration Policy

All relevant staff who are open to a conflict of interest are paid a basic salary, including those who hold key support areas such as Compliance, Finance and Operations. This salary is not dependent on company performance. A bonus structure exists which is linked to company performance, team performance or the individual's performance. It is at the discretion of the senior management and notified only on payment. Sales members of staff receive a percentage of their fee income. This percentage represents a pre-agreed proportion of their net revenues and is subject to adherence with the Firm's strict procedures, guidelines and principles.

## 13 Whistleblowing



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The firm has a whistleblowing policy in place covering all staff within the firm.

## **14 Business Interests & Appropriateness**

As an execution only matched principal broker, we will not use our discretion to make decisions or provide any advice or recommendations. We are however, required to ensure that our actions are appropriate for our clients.

In addition our employees may have an interest, relationship or arrangement whereby they act as a trustee, hold power of attorney on behalf of a client or act as a Director for a corporate client. We require our employees to declare any such interests to us so that we are able to take the appropriate steps where conflicts are identified. The type of steps that we may take could include not undertaking a certain line of business or declining an association with another firm if we believe that it is not in our clients best interests to form that association.

To manage such conflicts, we require our employees to disclose Directorships and interests in other companies obliging them to disregard and disclose the interest, relationship or arrangement concerned when acting on your behalf.