

## ARGON FINANCIAL LIMITED (trading as PROSPREADS)

### CONFLICTS OF INTEREST POLICY

#### Purpose

In accordance with the Markets in Financial Instruments Directive (MiFID), this document sets out ProSpreads' (the "firm", "we" or "us") policy on conflicts of interest.

The purpose of this policy is to identify the conflicts of interest between (i) the firm, including its directors and employees, or any person directly or indirectly linked to them by control, and a client of the firm; and (ii) one client of the firm and another client of the firm.

This policy also sets out the procedures and controls that the firm has implemented in order to manage the conflicts that the firm has identified.

When considering the conflicts and where the firm is a member of a group, the firm will also take into account any circumstances, of which the firm is or should be aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the group.

The firm expects all its employees to maintain the highest standards in carrying out their business activities, adhering to legislative requirements and our policies on business conduct. Additionally, we expect our employees to act professionally, honestly and ethically in all their dealings with customers, colleagues and third parties. In particular, we require all employees (i) to avoid conflicts of interest wherever possible, and (ii) to ensure that conflicts or potential conflicts are disclosed as set out in this policy.

Failure to comply with this policy may lead to internal disciplinary action being brought against the relevant employee.

#### Scope

This policy applies to the firm when providing services to clients in the course of carrying on regulated activities or any activity that is carried on in connection with that regulated activity or held out as being for the purpose of that regulated activity.

#### Types of conflicts to be considered

When establishing this policy, the firm has considered the following types of conflicts:

- an action that is likely to create a financial gain or avoid a financial loss for the investment firm or a person in some way related to the firm, at the expense of the client;
- the firm or a person in some way related to the firm, 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.

- the firm or a person in some way related to the firm has a financial or other incentive to favour the interest of another client or group of clients over the interest of the client;
- the firm or a person in some way related to the firm carries on the same business as the client; and
- the firm or a person in some way related to the firm receives from a person other than the client an inducement in relation to the service provided to the client in the form of monies, goods or services, other than the standard commission or fee for that service.

### Register of conflicts

**The firm maintains a register of the services or activities carried out by or on behalf of the firm in which a conflict of interest could result in a material risk of damage to the interests of one or more of its clients.**

All directors and employees of the firm are required on a periodic basis to confirm that they are not aware of any conflicts of interest which have not been included in the firm's register of conflicts and that their connected person details have not changed in a way that could create a conflict of interest for the firm.

The firm regularly reviews the register and updates it when necessary.

### Disclosure of conflicts:

The firm has put in place effective organisational and administrative procedures and controls as set out below, however when such arrangements are not sufficient to ensure with reasonable confidence that the risks of damage to the interests of a client will be prevented, the firm will disclose the general nature and/or sources of conflicts of interest to the client before undertaking business for the client.

The disclosure at a minimum must be in a durable medium and include sufficient detail to enable the client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

### Use of Chinese Walls:

The firm implements the use of a Chinese wall i.e. an arrangement whereby information is withheld from certain persons in order to avoid a potential conflict arising, when appropriate.

### Organisational and administrative procedures and controls to manage the following conflicts:

#### **Conflict 1: *Inappropriate exchange of information that may harm the interest of clients***

- The firm maintains confidentiality of client's interests by including a confidentiality clause in each staff employment contract.
- Due to the nature of the firm's automated execution technology, it would not be expected to be exposed to insider information.

**Conflict 2: *Inadequate separate supervision of personnel***

- Independent reconciliations of a trader's positions are performed at "t+1" by separate personnel to ensure internal bookings are valid with external counterparts.

**Conflict 3: *Structures to prevent or control inappropriate influence***

- The firm runs a policy whereby any gift received above £150 requires the recipient within the firm to report this to the Compliance Officer.

**Conflict 4: *Simultaneous or sequential involvement of a person in a separate investment or ancillary service.***

- The firm maintains a robust personal account dealing procedure for all directors and employees along with any connected persons such that any conflicted or potentially conflicted trade is recorded and monitored.
- The firm maintains a register of interests for all directors and employees.

**Conflict 5: *The firm's proprietary account, or another of the firm's clients, is the other side of a client trade***

The firm discloses that the firm, and other firm clients, may be active participants in the marketplace in which the client enters into transactions. Following the execution of a transaction, the firm may (whether knowingly or unknowingly and whether directly or indirectly) enter into the transaction on behalf of its proprietary account or the account of another of the firm's clients. In order to manage and mitigate this risk:

- The firm has set up Chinese Walls to ensure the independence of those individuals carrying out client trades and those doing proprietary trading.
- The firm does not have any discretionary mandates over client accounts operating solely on an execution-only basis for client-side trades.

**Conflict 6: *Interest in an outside business activity***

A conflict of interest may arise where an employee has a direct or indirect interest in an outside business activity. This may be where the employee has a connection with the other party to the transaction, or where the employee's family has a connection. The connection may be from a directorship, significant

shareholding, employment or consultancy. In order to manage and mitigate this risk, the firm requires disclosure of any connection which could, or could be seen to have the effect of compromising the judgment of any employee.

Employees are required to notify the Compliance Officer of any such potential conflicts of interest, who will then decide if the employee can be involved in the external activity.

### **Conflict 7: *Personal account dealing***

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 company'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 firm has established this policy to ensure that personal account dealing by members of staff comply with this policy. This includes a requirement for pre-account opening approval from the Compliance Officer for investments in market traded financial instruments and spread bets. Specifically, employees are prohibited from opening a spread bet account with the firm.

### **Adoption and review of the policy**

The firm has adopted this policy on 10 July 2014. The firm will review this policy at least annually from the date of adoption.