



CARL KLIEM S.A.
INTERBANK AND SECURITIES BROKER

CARL KLIEM S.A. LUXEMBOURG

Conflict of Interest Policy

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Control Log

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1 Introduction

- 1.1 Under the re-cast Markets in Financial Instruments Directive (MiFID II) CARL KLIEM is required to maintain and operate effective organizational and administrative arrangements with a view to taking all reasonable steps to identify, prevent, monitor and manage conflicts of interest. CARL KLIEM has put in place a policy to meet this obligation. A summary of this policy is provided to clients within the Execution Policy, but further information is available on request.

2 What is a conflict of interest?

- 2.1 A conflict of interest as defined under MiFID is a conflict that arises in any area of CARL KLIEM's business in the course of providing its customers with a service which may benefit CARL KLIEM (or another customer for whom CARL KLIEM is acting) whilst potentially materially damaging another customer where CARL KLIEM owes a duty to the customer. There may be a conflict where CARL KLIEM or a relevant person¹:
- (a) is likely to make a financial gain (or avoid a loss) at the expense of its customer;
 - (b) is interested in the outcome of the service provided to its customer where the interest of CARL KLIEM is distinct from that of the customer;
 - (c) has a financial or other incentive to favour the interests of one customer over another;
 - (d) carries on the same business as a customer;
 - (e) receives money, goods or services from a third party in relation to services provided to a customer other than standard fees or commissions.
- 2.2 CARL KLIEM has sought to identify conflicts of interest that exist in its business and has put in place measures it considers appropriate to the relevant conflict in an effort to monitor, manage and control the potential impact of those conflicts on its customers.
- 2.3 The conflicts identified include:
- (a) those between customers with competing interests;
 - (b) those between customers and CARL KLIEM where their respective interests in a particular outcome may be different; and
 - (c) those between the personal interests of staff of CARL KLIEM and the interests of CARL KLIEM or its customers where those interests may be different.

3 Specific investment services and activities

- 3.1 CARL KLIEM carries out the investment services of named give up brokerage and dealing as “matched principal” in bonds and OTC derivatives respectively. CARL KLIEM has identified the potential conflicts of interest which may occur in its business:

¹A relevant person is a manager, employee, tied agent, or any person directly or indirectly linked to the investment firm by control.

- (a) CARL KLIEM or an individual acting on behalf of CARL KLIEM is in possession of information obtained in the ordinary course of business and such information is not publicly known.
- (b) CARL KLIEM or an individual acting on behalf of CARL KLIEM has an interest in the outcome of a service or transaction provided to the customer which is distinct from the customer's interest in that outcome.
- (c) CARL KLIEM or an individual acting on behalf of CARL KLIEM, as a result of other business activities within the company, carries on the same business as the customer.
- (d) CARL KLIEM or an individual acting on its behalf has a financial or other incentive to give preference to the interest of the company over the interest of any customer.
- (e) CARL KLIEM or an individual acting on its behalf receives or will receive from a person an inducement in relation to a service provided to the customer, in the form of monies, services or goods, other than the standard commission or fee for that service.
- (f) An individual acting on behalf of the company and covering a customer who is a relative.
- (g) CARL KLIEM or an individual acting on behalf of CARL KLIEM receives an incentive (such as a fee, commission or non-monetary benefit) from one client meaning they potentially benefit one client over another
- (h) CARL KLIEM has a large concentration of business with one client, potentially leading to benefiting that client over others.
- (i) CARL KLIEM aggregates client orders in a manner which benefits one client over another

3.2 CARL KLIEM has procedures to handle each of these conflicts if a situation were to occur and has made provision in order to manage any recognized conflicts of interests. This will be subject to CARL KLIEM's normal monitoring and review processes and include:

4 Integrity and Standards of Conduct

4.1 CARL KLIEM insists that in its dealings with customers its staff must use the highest standard of integrity in their actions at all times.

4.2 This includes disclosing any conflicts of interest, which may include other appointments, connections to clients and details of personal trading accounts.

5 Customer Orders

- 5.1 In order to ensure as fair treatment as possible for customers, the CARL KLIEM Execution Policy requires CARL KLIEM to take all sufficient steps to achieve the best overall trading result for customers; to exercise consistent standards; and operate the same processes across all markets, clients and financial instruments in which it operates.
- 5.2 No undue preference should be given to any customer when trades are aggregated. Re-allocation to any individual customer may only be made to correct an error or to adjust an uneconomic initial allocation e.g. on a partial fill of an order. The customer's orders will always take priority over any orders which CARL KLIEM executes for itself. Further information can be found within the Execution Policy.
- 5.3 There may be occasions when customer orders may have a material effect on a relevant price of the financial instrument. 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, CARL KLIEM has strictly prohibited the practice of front running, in accordance with the Market Abuse Regulation.
- 5.4 In order to ensure a fair and orderly dealing environment with the market, CARL KLIEM ensures that its staff comply with the provisions of MiFID II, the Market Abuse Regulation and other EU Legislation and Domestic Legislation as applicable. In order to underpin these requirements, and to ensure that staff act with honesty and integrity, CARL KLIEM has also implemented a Code of Conduct, which is based on the revised ACI Code of Conduct.

6 Personal Account Dealing

- 6.1 CARL KLIEM staff are not allowed to execute personal transactions, neither transactions on behalf of the trader's family or other members of personnel and trading on an electronic platform is never permitted, by relevant persons or any of their connected persons². CARL KLIEM has implemented systems of disclosure and reporting in any personal account dealing as set out within the Compliance Manual, which all staff are required to comply with.

7 Separation of Functions

- 7.1 CARL KLIEM has ensured there is sufficient separation of supervision of relevant persons who provide services to clients whose interests may conflict. This means that relevant persons may not be a member of multiple trading desks where it would create a conflict of interest. As part of the monitoring to ensure there is sufficient separation, Compliance will monitor that access to execution platforms is only on a "need to have" basis.
- 7.2 Additionally CARL KLIEM has implemented clear reporting lines and procedures which prevent any individual from experiencing inappropriate influence over the way in which they carry out their services for their customers. This includes the whistleblowing policy, governance structures and separation of functions.

² Connected persons is any person who has a family relationship or close links to a relevant person.

8 Inducements and third party benefits

- 8.1 CARL KLIEM does not accept fees, commissions or other non-monetary benefits (together “inducements”) from third parties unless they are to the benefit of the client and this can be demonstrated through appropriate evidence. Please refer to the Compliance Manual for further details.

9 Confidentiality and Information barriers

- 9.1 CARL KLIEM insists on strict customer confidentiality to ensure that information is disclosed only to those entitled to receive it. Information barriers will be implemented where necessary to ensure that client order information cannot be passed between staff members. Such situations may include when a client places a large order in an illiquid instrument, and therefore the potential risk of the information being used for front running purposes is higher.

10 Inducement to Employees from customers

- 10.1 Staff are not allowed to accept inducements from customers to benefit the customer above the interests of others when conducting investment business. An example would be: two customers giving similar orders where one customer agrees to pay more commission and that customer's order is executed first or at a better price than the other customer's order.
- 10.2 CARL KLIEM has implemented gifts and entertainments procedures to ensure that only gifts with a value of less than EUR 50 are accepted or given. All such gifts and entertainments are recorded.

11 Remuneration Policy

- 11.1 All relevant staff who are open to a conflict of interest are paid a basic salary including those in key support areas such as Compliance, Finance and Operations. This salary is not dependent on company performance. A bonus structure does exist 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.

12 Disclosure

- 12.1 Where there is no other means of managing the conflict or where the measures in place do not sufficiently protect the interests of customers, the conflict of interest will be disclosed to customers to enable an informed decision to be made by the customer as to whether they wish to continue doing business with CARL KLIEM in that particular situation.
- 12.2 The disclosure will be a measure of last resort and only used where the organisational and administrative arrangements are not sufficient to ensure with reasonable confidence, that the risk of damage to the interests of the customer will be prevented.
- 12.3 The disclosure shall clearly state that the organisational and administrative arrangements established by CARL KLIEM to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the

customer will be prevented. The disclosure shall include specific description of the conflicts of interest that have arisen, taking into account the nature of the customer to whom the disclosure is being made. The description shall explain:

- (a) the general nature and sources of conflict;
- (b) the risks to the client that arise as a result of the conflicts of interest; and
- (c) the steps undertaken to mitigate the risks.

12.4 CARL KLIEM will ensure the disclosure has sufficient detail to allow the client to determine whether they can accept the conflict.

12.5 Staff members and management are responsible for identifying such conflicts and reporting them to Compliance. Compliance is responsible for making any disclosures to clients in accordance with the above. Records of such disclosures shall be kept, and records of the disclosure being made will be placed on the conflicts register.

13 Declining to act

13.1 Finally, where CARL KLIEM considers it is not able to manage the conflict of interest in any other way it may decline to act for a customer.

14 Prompt information

14.1 Where staff members are or have been faced with a conflict of interest, they shall promptly inform their senior manager on their own initiative. Where the senior manager notes that the conflict of interest is acceptable in view of this policy, he shall authorize it under the terms and conditions provided for in this policy. In particular the senior manager will determine that the risk is within an acceptable tolerance level for CARL KLIEM, and consult with the compliance function on whether the conflict is acceptable. The conflicts of interest shall be reported to the authorized management and authorized by it as well as being recorded in the monitoring of conflicts kept by the firm.

15 Abstention in the decision-making process

15.1 The members of the authorized management and the board of directors, who are subject to a conflict of interest, shall promptly inform the authorized management or the board of directors, respectively, on their own initiative. These members shall abstain from participating in the decision-making processes, where they may have a conflict of interest or which prevent them from deciding with full objectivity and independence. This shall be recorded within the minutes of the specific meeting where the conflict of interest may have arisen.

16 Responsibilities of the internal control functions

16.1 The internal control functions are in charge of identifying and managing business conflicts of interest. This does not remove the obligation of staff to report personal conflicts of interest or raise matters which they may feel results in a business conflict of

interest. The internal control function shall ensure that business conflicts of interest are minimized and controlled.

17 Specific requirements with related parties

- 17.1 The business relationships with related parties are subject to the board of directors' approval where they have or may have a significant or negative impact on the risk profile of CARL KLIEM. The rule shall also apply where, in the absence of any significant impact on each individual transaction, the influence is significant for all transactions with related parties.
- 17.2 Reference is made to Circular CSSF 12/552, as amended.

18 Monitoring and Governance

- 18.1 CARL KLIEM assesses and periodically reviews, at least on an annual basis, the conflicts of interest policy and shall take all appropriate measures to address any deficiencies.
- 18.2 Reliance on disclosure shall be seen as a failure of administrative arrangements. The monitoring of conflicts shall include senior management receiving reports on the conflicts matrix and management of conflicts.

APPENDIX 1

CENTRAL REGISTER OF CONFLICTS OF INTEREST 2018:

Conflicts of Interest detected area	Potential Conflicts of Interest	CK proactive Measures to prevent the Conflicts	CK controls to investigate the occurrence of a conflict	CK procedures in case of a Conflict	Have any disclosures occurred?
<p>Potential conflict of interest that might pose a material risk of damage to customers' interests</p>	<p>The company or an individual acting on behalf of the company is in possession of information obtained in the ordinary course of business and such information is not publicly known.</p> <p>The company or an individual acting on behalf of the company has an interest in the outcome of a service or transaction provided to the customer which is distinct from the customer's interest in that outcome.</p> <p>The company or an individual acting on behalf of the company, as a result of other business activities within the company, carries on the same business as the</p>	<p>The company ensures that all employees comply with their professional duties in the exercise of their activities. The authorised management is responsible for ensuring adherence to this policy which is supported by internal controlling functions including the Compliance Department.</p> <p>The company has devised and implemented organizational measures, rules and procedures which have been designed to prevent or mitigate potential conflicts of interest, including in particular :</p> <ul style="list-style-type: none"> • a Code of Conduct and other procedures and 	<p>The company through its management is responsible for the control of all procedures aimed at the prevention and mitigation of potential conflicts of interest. The company and its management are assisted by internal controlling functions which ensure that such procedures are correctly implemented and applied.</p> <p>To implement this policy effectively the company and its management will :</p> <ul style="list-style-type: none"> • control and monitor all internal rules and procedures aimed at governing the flow of 	<p>In case of a finding, the compliance function will report it to the Authorised Management (AM). The AM then will assess its severity and impact and will escalate it to the Board of Directors meeting for a final decision and the remedial actions that should be imposed.</p> <p>The Regulatory and Supervisory Authorities will be notified accordingly.</p>	

	<p>customer.</p> <p>The company or an individual acting on its behalf has a financial or other incentive to give preference to the interest of the company over the interest of any customer.</p> <p>The company or an individual acting on its behalf receives or will receive from a person an inducement in relation to a service provided to the customer, in the form of monies, services or goods, other than the standard commission or fee for that service.</p> <p>An individual acting on behalf of the company and covering a customer who is a relative.</p>	<p>policies which reflects the commitment of the company to ensure that:</p> <ul style="list-style-type: none"> its employees comply with a set of standards designed to safeguard all confidential information entrusted to it by its customers in the process of dealing with the company; staff dealing policies are clearly defined; and honesty, integrity and fair dealing is maintained at all times. <ul style="list-style-type: none"> Identification of areas of potential conflict of interest which might lead to a material risk of damage to a customer's interest; where possible, hierarchical separation and physical barriers, otherwise known as 'Chinese Walls', between the activities likely to involve potential 	<p>confidential or privileged information;</p> <ul style="list-style-type: none"> control the separation of activities in potentially conflict-provoking situations, as well as the separation of sections in contact with customers (customer facing functions) and sections in charge of the treatment and recording of operations (back office and settlements), irrespective of whether those areas are internal or outsourced; control the separation of operational areas acting on behalf of customers and those acting on behalf of the company, irrespective of whether those areas are internal or outsourced. 	
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		<p>conflicts of interest, thereby aiming to prevent any undue transmission of information confidential to customers;</p> <ul style="list-style-type: none"> • identification and control of remuneration received or paid as a consequence of services and/or transactions carried out with customers; • the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by different relevant persons principally engaged in another activity, where a potential conflict of interest may arise in relation to those activities; • policies providing transparency for gifts or advantages received 			
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		<p>within a professional situation;</p> <ul style="list-style-type: none"> disclosure of and restrictions on outside interests such as directorships of other companies; monitoring of any outsourced activity, within or outside the Group; robust Personal Account Dealing policies, procedures and monitoring programmes. 		
<p>Conflicts of interest between clients of Carl Kliem</p>	<p>Carl Kliem or an individual acting on behalf of Carl Kliem receives an incentive (such as a fee, commission or non-monetary benefit) from one client meaning they potentially benefit one client over another</p> <p>Carl Kliem has a large concentration of business with one client, potentially leading to benefiting that</p>	<ul style="list-style-type: none"> Carl Kliem will not accept any incentive from clients in relation to execution of orders Carl Kliem monitors its client concentration through its Compliance Monitoring Programme from 	<ul style="list-style-type: none"> Carl Kliem has a best execution committee that monitors the execution of orders and the aggregation of orders. This ensures that orders are not aggregated in a way which benefits one client over another 	<p>In case of a finding, the compliance function will report it to the Authorised Management (AM). The AM then will assess its severity and impact and will escalate it to the Board of Directors meeting for a final decision and the remedial actions that should be</p>

	<p>client over others</p> <p>Carl Kliem aggregates client orders in a manner which benefits one client over another</p>	<p>both a risks and conflicts perspective.</p> <ul style="list-style-type: none"> Carl Kliem has controls around order aggregation, including an order management system which provides best execution for each client and prevents a disadvantage overall to a client whose order is being aggregated and an Execution Policy. Where relevant, Carl Kliem will allocate any partially filled allocated orders fairly among clients and provides information to clients on how the volume and price of orders determines allocations. 	<ul style="list-style-type: none"> Carl Kliem has procedures in place to monitor commissions and fees received from clients to ensure that they are all fair and benefit the client without there being a substantial detriment to another client. Receipt of benefits is disclosed to the client. Carl Kliem will decline to act for a client when it is felt the concentration of business with that client is too great. Carl Kliem will manually adjust an order to ensure that the allocation is done in accordance with 	<p>imposed.</p> <p>The Regulatory and Supervisory Authorities will be notified accordingly.</p>	
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