

# Global Investment Strategy UK Ltd (GIS)

## Conflicts of Interest Policy

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## Table of Contents

1	Introduction.....	3
2	Identifying conflicts of interest.....	3
3	How it affects GIS .....	3
3.1	Order handling .....	3
3.2	Corporate advisory.....	4
3.3	Gifts or inducements.....	4
3.4	Responsible Person.....	4
4	What to do.....	4
4.1	Identifying Conflicts .....	4
4.2	Managing Conflicts .....	4
4.3	Chinese Walls.....	6
4.4	Attribution of knowledge.....	6
4.5	Segregation of Duties.....	7
4.6	Disclosing an Interest.....	7
4.7	Gifts and Inducements.....	8
4.8	Personal Disclosures .....	9
5	Training/Awareness.....	9
6	Record Keeping/Annual Reports .....	10

## 1 Introduction

As per Principle for Business number 8 (Conflicts of interest) and Systems and Controls (SYSC) Chapter 10, Global Investment Strategy UK Limited (GIS) must take all appropriate steps to identify and to prevent conflicts of interest between:

- 1) GIS, including our managers, employees and appointed representatives and any of the firm's clients; or,
- 2) One client of GIS and another client of GIS,

that arise from the provision of its services including those caused by the receipt of inducements from third parties or by GIS's own remuneration or incentive structures.

## 2 Identifying conflicts of interest

It is every employee's responsibility to identify conflicts as they arise with consideration given both before the commencement of a business relationship and during that relationship.

To identify a conflict of interest, we need to consider whether GIS or an employee:

- 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; or
- 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.

## 3 How it affects GIS

We must not knowingly advise, or deal in the exercise of discretion, in relation to that transaction unless we take reasonable steps to ensure fair treatment for the customer.

This is normally achieved by managing the conflict of interest by taking reasonable steps in one or more of the following ways:

- managing the conflicts internally; or
- establishing special arrangements such as a Chinese wall; or
- disclosing our interest to the customer; or
- declining to act for a customer.

The following are areas where the risk of conflicts of interest are highest.

### 3.1 Order handling

As GIS handles orders for its clients, it is important to ensure that they are treated fairly and that conflicts are properly addressed. Several policies address this at GIS including the Personal Dealing

Policy, the Order Handling and Best Execution Policy, the Market Abuse Policy and the Remuneration Policy. The risk of a conflict of interest in this area is considered low.

### **3.2 Corporate advisory**

As GIS offers corporate advisory services, it is important that confidential information is not used to put a client at a disadvantage. Chinese walls are employed as appropriate and the Personal Dealing Policy and Market Abuse Policy are in place to clarify expected behaviour around fair treatment of clients. The risk of a conflict of interest in this area is considered medium.

### **3.3 Gifts or inducements**

The possibility exists that business partners could create conflicts of interest by currying favour through gifts or inducements. GIS has a gift policy in place to provide clear guidelines of what is acceptable to limit potential conflicts. Commercial arrangements involving inducements are disclosed where it is not possible to mitigate otherwise. The risk of conflict of interest in this area is considered low.

### **3.4 Responsible Person**

The Compliance Officer is responsible for keeping the Conflicts of Interest Register but each separate department is responsible for ensuring it takes appropriate measures to address any conflict that arises. If it is unclear what the appropriate measures are, the conflict should be raised to senior management for advice.

## **4 What to do**

### **4.1 Identifying Conflicts**

If you identify a conflict of interest as defined in Section 2, you should email your immediate manager setting out details of the relevant conflict and the manager will then take appropriate actions to manage the conflict and will inform the Compliance Officer. If it is unclear what the appropriate measures are, the manager will then take advice from the Compliance Officer and/or senior managers in order to determine appropriate measures.

### **4.2 Managing Conflicts**

GIS may be able to demonstrate that it has taken reasonable steps to ensure fair treatment for its customers by relying on this Conflicts of Interest Policy. In such cases, relevant employees are required to disregard any material interest or conflict of interest when advising a customer. If considered appropriate by the directors, GIS may, at its discretion disclose its material interest or conflict of interest to its customer.

The FCA requires firms to identify all known conflicts within this policy along with the method of dealing with the conflict. The Firm should pay special attention to the activities of investment research and advice, proprietary trading, portfolio management and corporate finance business, including underwriting or selling in an offering of securities and advising on mergers and acquisitions. In particular, such special attention is appropriate where GIS or a person directly or indirectly linked by control to the firm performs a combination of two or more of those activities.

The measures for dealing with conflicts are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest carry on those activities at a level of

independence, appropriate to the size and activities of GIS and of any group to which it belongs and to the materiality of the risk of damage to the interests of clients.

### ***Examples of types of procedures for managing conflicts***

The following list details potential courses of action to consider once a conflict has been identified:

- a) effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;
- b) the 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;
- c) 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 conflict of interest may arise in relation to those activities;
- d) measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out services or activities;
- e) measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate services or activities where such involvement may impair the proper management of conflicts of interest; and
- f) declining business. We will always seek to implement effective controls to manage the conflict before deciding to decline business, but where the risk is too great we will decline business. Before business is declined, the conflict will be presented to the Compliance Officer/Committee to agree this course of action.

### ***Examples of potential conflicts of interest and their management***

- a) The firm has a small number of introducing brokers and we have controls in place that address and manage potential conflicts arising from that (there is an innate financial incentive for introducing brokers which arises as a result of this arrangement and therefore there is a risk that the introducing broker could be providing us with high-risk clients as they earn money from introductions. To manage and control that potential conflict, we keep a log of all of our introduced clients and periodically review the arrangements to ensure that that they are fit for purpose and that they remain within the risk appetite of the firm.
- b) As we manage security offerings for our corporate finance clients, we will identify and manage conflicts of interest based on each agreement with the client on relevant aspects of the offering process, including:
  - the process GIS proposes to follow in order to determine what recommendations it will make about allocations for the offering;
  - how the target investor group will be identified;
  - how recommendations on allocation and pricing will be prepared;

- whether GIS might place securities with its investment clients or with its own proprietary book, or with an associate;
  - agreeing allocation and pricing objectives;
  - inviting the client to participate actively in the allocation process; and
  - disclosing to the issuer details of the allocations actually made.
- c) Our Compliance Officer is a significant shareholder in GIS. This may lead to a theoretical conflict of interest. We have controls in place to address and manage potential conflicts arising from that as set out in paragraph 4.5 (segregation of duties) below. Most significantly, but without limitation, we utilise our robust committee structures which support segregation of duties by ensuring that no single individual has sole or free decision-making powers without scrutiny.

### 4.3 Chinese Walls

Another method by which GIS can manage conflicts of interest is to establish and maintain internal arrangements restricting the movement of information within the firm. This requires information held by a person in the course of carrying on one part of our business to be withheld from, or not to be used by, persons with or for whom we act in the course of carrying on another part of our business. Such an arrangement is referred to as a Chinese Wall. This is particularly relevant for GIS's corporate advisory business.

The FCA's rules on Chinese Walls are set out in SYSC 10.2. GIS has adopted these rules in determining its own policies regarding Chinese Walls which is as follows:

- a) when GIS establishes and maintains a Chinese wall it may:
- 1) withhold or not use the information held; and
  - 2) for that purpose, permit persons employed in the first part of its business to withhold the information held from those employed in that other part of the business,
- but only to the extent that the business of one of those parts involves the carrying on of regulated activities or ancillary activities;
- b) information may also be withheld or not used by the firm when this is required by an established arrangement maintained between different parts of the business (of any kind) in the same group. This provision does not affect any requirement to transmit or use information that may arise apart from the rules in COBS;
- c) for the purpose of this rule, "maintains" includes taking reasonable steps to ensure that the arrangements remain effective and are adequately monitored, and must be interpreted accordingly.

### 4.4 Attribution of knowledge

If effective arrangements are established under SYSC 10.2.2 R, then the firm will be deemed to have no knowledge of the relevant information for the purposes of COBs and CASS, if individuals on the "other side of the wall" are involved in the relevant transaction.

Where GIS establishes and maintains a Chinese Wall, individuals on the "other side of the wall" will not be regarded as being in possession of knowledge denied to them as a result of the Chinese Wall.

Acting as outlined above does not amount to market abuse, making misleading statements or engaging in misleading practices.

#### **4.5 Segregation of Duties**

GIS strives to ensure that the performance of multiple functions by its relevant persons does not and is not likely to prevent those persons from discharging any particular functions soundly, honestly and professionally. Our policies concerning the segregation of duties within the firm and the prevention of conflicts of interest are laid out below.

GIS is aware that effective segregation of duties is an important element in the internal controls of a firm in the prudential context. In particular, it helps to ensure that no one individual is completely free to commit the firm's assets or incur liabilities on its behalf. Segregation also helps to ensure that the firm's governing body receives objective and accurate information on financial performance, the risks faced by the firm and the adequacy of its systems.

GIS ensures that, in general, no single individual has unrestricted authority to do all of the following in respect of a transaction:

- initiate the transaction;
- bind the firm;
- make payments; and
- account for the transaction.

Where GIS is unable to ensure the complete segregation of duties due to its limited employee base, it has adequate compensating controls in place including the frequent review of an area by relevant senior managers. Additionally, we have committee structures in place which support segregation of duties by ensuring that no single individual has sole or free decision-making powers without scrutiny.

The firm ensures that its relevant persons are aware of the procedures which must be followed for the proper discharge of their responsibilities.

#### **4.6 Disclosing an Interest**

The firm monitors and, on a regular basis, evaluates the adequacy and effectiveness of its systems, internal control mechanisms and arrangements in relation to conflicts of interest and will take appropriate measures to address any deficiencies.

- a) If arrangements made by GIS to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, GIS must clearly disclose the general nature and/or sources of conflicts of interest to the client and the steps taken to mitigate those risks before undertaking business for the client.
- b) The disclosure must:

- 1) be made in a durable medium;
- 2) clearly state that the organisational and administrative arrangements established by GIS to prevent or manage the conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented;
- 3) include specific description of the conflicts of interest that arise in the provision of the services;
- 4) explain the risks to the client that arise as a result of the conflicts of interest;
- 5) include sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

Disclosing an interest to a customer would normally be required where the firm has an interest in a transaction on which it is advising or where the firm derives, or will derive, consultancy, non-executive director or other fees from customers involved in a transaction.

Disclosure of a material interest or conflict of interest to a customer must be made in writing. Oral disclosure is to be avoided. Disclosure must be made before we advise our customer on a transaction and we must be able to demonstrate that we have taken reasonable steps to ensure that the customer does not object to our material interest or conflict of interest.

We will aim to identify and manage conflicts of interest before electing to disclose. A disclosure of a conflict is a last resort which will not be selected instead of using existing, or creating new, effective organisational or administrative arrangements. The disclosure of a conflict does not exempt us from continuing to establish and maintain effective conflict management systems and controls. To that end, we continually review our conflicts management arrangements to ensure there is not an over-reliance on disclosure.

#### **4.7 Gifts and Inducements**

Clients, for a variety of reasons, may offer gifts to employees such as for annual celebrations or to commemorate the completion of a large and/or complicated transaction.

Invitations to events (such as sports matches) may be considered as 'Gifts' – this is determined on a case-by-case basis.

The receipt of gifts is not prohibited, if the following requirements are met:

- it is not made with the intention of influencing a third party to obtain or retain business or a business advantage, or to reward the provision or retention of business or a business advantage, or in explicit or implicit exchange for favours or benefits; it complies with local law; it is given in our name, not in your name;
- it does not include cash or a cash equivalent (such as gift certificates or vouchers);
- it is appropriate in the circumstances. For example, in the UK it is customary for small gifts to be given at Christmas time;
- considering the reason for the gift, it is of an appropriate type and value and given at an appropriate time; it is given openly, not secretly; and



- it is not to be offered to, or accepted from, government officials or representatives, or politicians or political parties, without the prior approval of the Compliance Officer.

We appreciate that the practice of giving business gifts varies between countries and regions and what may be normal and acceptable in one region may not be in another. The test to be applied is whether in all the circumstances the gift or hospitality is reasonable and justifiable. The intention behind the gift should always be considered. Care must be taken to ensure that such gifts cannot be construed as an inducement to provide a service more favourably to that client ahead of another. If in any doubt, you should email your immediate manager setting out the circumstances of the “gift” and the manager will then refer it to the Compliance Officer to determine whether you can accept the “gift”.

Our rules regarding the receiving and giving of gifts and inducements are as follows:

- Gifts (from the same client, individually or cumulatively in any 12 month rolling period) with a value of less than £50.00 must be notified to the Compliance Officer for inclusion in the Gifts and Inducements register but no approval from the Compliance Officer is required
- Gifts with a value between £50.00 to £100.000 (from the same client, individually or cumulatively in any 12 month rolling period) must be notified to the Compliance Officer whose prior written approval to accept the gift must be obtained. If approved, the Compliance Officer will arrange for its inclusion in the Gifts and Inducements register
- Gifts with a value of greater than £100 (from the same client, individually or cumulatively in any 12 month rolling period) must be notified to the Compliance Officer. The prior written approval of the Compliance Officer and another SMF to accept the gift must be obtained. If approved, the Compliance Officer will arrange for its inclusion in the Gifts and Inducements register
- Gifts with a value of greater than £500 (from the same client, individually or cumulatively in any 12 month rolling period) must be notified to the Compliance Officer and will be automatically declined

#### **4.8 Personal Disclosures**

Prior to joining GIS, employees must disclose external business interests including:

- Details of companies in which they hold an interest or ownership
- Details of companies in which they are a director
- Other employment
- Beneficial interest in a trust where the trustee is a connected person

#### **5 Training/Awareness**

All employees are given access to the Conflict of Interest Policy which they are required to read and follow. They sign an annual compliance attestation to witness this requirement. Additional training is given periodically.

## **6 Record Keeping/Annual Reports**

The Compliance Officer maintains the Conflict of Interest Register and provides the board with an annual report on conflicts of interest.