

## STERLING INTERNATIONAL BROKERS LIMITED

### CONFLICTS OF INTEREST POLICY

Under FSA's Principles for Businesses, Principle 8 requires a firm to "*manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.*" Under the Markets in Financial Instruments Directive ("MiFID"), Sterling International Brokers Limited ("Sterling") is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage such conflicts of interest. Sterling has put in place a policy to meet this obligation and set out below is a summary of that policy and the key information that is needed by clients and counterparties (together "customers") to understand the measures Sterling is taking to safeguard the interests of its customers.

#### **Sterling's Conflict of Interest Policy**

Sterling seeks to:

- identify circumstances which may give rise to conflicts of interest entailing a material risk of damage to customers' interests;
- establish appropriate mechanisms and systems to manage those conflicts; and
- maintain systems in an effort to prevent actual damage to customers' interests through the identified conflicts.

#### **What is a conflict of interest?**

A conflict of interest under MiFID is a conflict that arises in any area of Sterling's business in the course of providing its customers with a service which may benefit Sterling (or another customer for whom Sterling is acting) whilst potentially materially damaging another customer where Sterling owes a duty to the customer. There may be a conflict where Sterling (or anyone connected to Sterling including another Sterling affiliate):

- is likely to make a financial gain (or avoid a loss) at the expense of its customer;
- is interested in the outcome of the service provided to its customer where the interests of Sterling is distinct from that of the customer;
- has a financial or other incentive to favour the interests of one customer over another;
- carries on the same business as a customer;
- receives money, goods or services from a third party in relation to services provided to a customer other than standard fees or commissions.

Sterling 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. The conflicts identified include:

- those between customers with competing interests;
- those between customers and Sterling where their respective interests in a particular outcome may be different; and
- those between the personal interests of staff of Sterling and the interests of Sterling or its customers where those interests may be different.

#### **Policies and procedures**

Sterling has adopted numerous internal policies and procedures, often set out in its Compliance Manual or in its procedures manuals, in order to manage recognised conflicts of interests.

These policies and procedures will be subject to our normal monitoring and review processes and include:

**1. Integrity and Standards of Conduct**

Sterling insists that in its dealings with customers its staff must use the highest standard of integrity in their actions at all times. The induction programme, training and competency procedures and monitoring programme at Sterling are designed to ensure that all relevant staff are familiar with and observe, inter alia, the FSA Principles for Businesses, the Statements of Principle and Code of Practice for Approved Persons and the Non-Investment Product Code.

**2. Customer Orders**

In order to ensure as fair treatment as possible for customers, the Sterling Execution Policy requires Sterling to take all reasonable 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.

In order to ensure a fair and orderly dealing environment within the market, Sterling further ensures that its staff comply with the relevant directives, as well as the relevant FSA Rules, which aim to prevent insider trading, the misuse of information and market manipulation.

**3. Personal Account Dealing (“PAD”)**

Sterling has a policy on Personal Account Dealing and the rules are signed off as understood by all relevant employees regardless of their position within the Sterling.

All broking staff are required to report any unusual investment activity to the Compliance Department.

**4. Confidentiality and Information barriers**

Sterling has put in place procedures to control or prevent the flow of information between Sterling’s business units and entities where the interests of customers of one business unit or entity may conflict with the interests of customers of another Sterling business unit or entity or with Sterling’s own interests. Further, Sterling insists on strict customer confidentiality to ensure that information is disclosed only to those entitled to receive it or otherwise with the prior approval of the Compliance Department.

**5. Sterling Consultancy Services and Treasury Management**

Sterling operates a Sterling Consultancy Services division which provides a treasury management advisory service. A possible conflict of interest may arise if the customer’s dealing strategy is known to the broking desk.

In order to manage this conflict, Sterling Consultancy Services operates from an office separate from the dealing room and staff are made aware of the potential conflict and reminded of Sterling’s independence policy.

**6. Inducements to Employees from Customers**

Staff are not allowed to accept gifts, entertainment or any other inducement from any person which might benefit one customer at the expense of another when conducting investment business. For example, where two customers give similar orders and one customer agrees to pay more commission, priority or better execution terms must not be granted to that customer’s order when it conflicts with obligations owed to the other customer.

Sterling’s staff are not allowed to place undue pressure upon customers to persuade the customer to trade through the firm to the extent that this might give rise to a conflict of interest between that customer and its own underlying customers

Sterling has a Gifts and Entertainment Policy which is part of the staff’s Policy Manual and is monitored by management on a regular basis.

**7. Remuneration Policy**

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 Back Office. This salary is not dependent on company performance. A bonus scheme does exist which is linked to the company's performance and the performance of the individual. It is entirely discretionary.

**8. Separate supervision and segregation of function**

Where appropriate, Sterling has arranged for the separate supervision of those carrying out functions for customers whose interests may conflict, or where the interests of customers and Sterling may conflict and has taken steps to prevent 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.

**9. Disclosure**

As a last resort, where there is no other means of managing the conflict or where the measures in place do not, in the view of Sterling, 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 Sterling in that particular situation.

**10. Declining to Act**

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