



## CONFLICTS OF INTEREST POLICY

Falcon Securities (UK) Limited ("Falcon") is bound by FSA's 11 Principles for Business. Principle 8 states "a firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client". This document sets out the way in which conflicts are managed at Falcon. Falcon provides the following services to professional (formerly intermediate) and retail (formerly private) clients: agency broking; investment advisory; and discretionary management. Falcon also provides corporate broking services to small and medium-sized companies, including advisory services and raising funds for the companies by way of issue of securities. In this context a variety of conflicts may arise between Falcon's interests and that of its clients, or between clients. Accordingly we have an obligation to:

- a) take all reasonable steps to identify conflicts of interest between (i) Falcon and our clients and (ii) one client and another;
- b) maintain and operate effective organizational and administrative arrangements with a view to taking reasonable steps designed to prevent conflicts of interest from giving rise to a material risk of damaging clients' interests;
- c) disclose any conflicts that cannot be managed effectively by our organisational and administrative arrangements to ensure that clients' interests will not be damaged; and
- d) maintain records of Falcon's services and activities in which conflicts may arise and records of how any actual or potential conflicts have been managed.

### Identifying the conflicts / Disclosure of conflicts

In order to identify the types of conflicts of interest that may arise, we take into account whether Falcon and/or its employee(s):

- a) is likely to make a profit or avoid a loss at the expense of the client;
- b) has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of a client, which is distinct from the client's own interest in that outcome;
- c) has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- d) carries on the same business as the client;
- e) received 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;
- f) could be in a position where its ability to act in a client's best interests is potentially affected by any other matter.

We also seek to identify any situation where the interests of one client may conflict with those of another, in order to ensure fair treatment for each client. Examples (not exhaustive) of situations where conflicts may arise:-

- where Falcon is providing investment advice but is also the Corporate Broker to the underlying security;
- where a director or employee of Falcon is also a director of a company on which Falcon is providing investment advice;
- where Falcon provides investment research in relation to a stock where it also provides corporate finance advisory services to the issuer;
- where Falcon is a discretionary portfolio manager for more than one client - with particular emphasis on issues relating to allocation.

**Methods of managing conflicts of interest** We have in place policies and procedures to enable us to manage conflicts of interest when they arise, including those listed below. We may need to take additional steps in particular cases and these will be determined by the Compliance Officer on a case-by-case basis. In most cases, we believe these procedures are sufficient to prevent risks to clients, but we disclose in our terms of business the conflicts which may arise in case in any particular situation these procedures are not alone sufficient. **Independence Policy** We operate a formal independence policy for the business (apart from the Corporate Broking department) which stipulates that whenever an Account Executive gives advice or recommends a transaction to a client, that individual should disregard any relationship, arrangement or interest of his own, or of the firm which might influence the advice or recommendation. **Best Execution** Our policies for acting in clients' best interests when executing orders and passing orders to third parties for execution are designed to ensure that we meet our best execution obligations regardless of any other interests. **Chinese Walls** Chinese Walls are formal arrangements that require information held by a person in one part of the business to be withheld from, or not to be used for, people in another part of the business. We have established Chinese Walls procedures to prevent the flow of information from Corporate Broking to



other parts of the business. Staff who work in (or are seconded to) the Corporate Broking areas are strictly prohibited from disclosing any non-public information about corporate clients, or potential corporate clients, to **any other member of staff** or any third party. There are circumstances when an employee on the other side of the Chinese Wall needs to be provided with non public information. In these instances this individual is moved “across the wall” and the same requirements to not disclose the information to other members of staff or any third party apply. Any instances of “wall crossing” must be authorized by the Compliance Officer and records relating to this matter are retained. **Allocation Policy:** Before allocating investments to clients, we comply with our regulatory obligations to assess suitability or appropriateness. It is our policy to offer allocations to clients for whom the investment is suitable or appropriate, who have sufficient funds in their account on the commitment date and who understand the investment’s term and conditions and are willing to be bound by them (including any special considerations attached to placings, such as selling restrictions, which are generally for a limited period of time). Our policy is to allocate investments on a pro-rata basis wherever practicable. No employee of Falcon is permitted to subscribe for investments where Falcon acts as broker to the issuer without the prior permission of the Compliance Officer. **PA Dealing:** Detailed policies and procedures are in place to monitor employees’ personal account dealing and in certain circumstances restrict dealing if employees interests in holding or dealing in securities may conflict with the obligations to clients. **Inducements/Gifts/Hospitality:** Employees must not solicit nor accept any inducements which may conflict with our obligations to clients, nor offer inducements which could conflict with the recipient’s obligation to its own clients. Procedures are in place on the giving or receiving gifts or hospitality. We have procedures to comply with FSA rules on inducements. We do not receive benefits from brokers in connection with the placing of orders with them. **External Business Interests:** All personnel should avoid any activity, interest or association outside Falcon that could impair an individual’s ability to work objectively. Accordingly, Falcon employees (includes Broking Consultants and Associates) may not accept employment or business interest outside Falcon with out the express prior written approval of the CEO, who will consider the potential for conflicts of interest. The Compliance Officer maintains a register of all employees’ external business interests. **Remuneration Policy:** Falcon will take care to ensure that it does not give incentives to activities that may lead to conflicts. We will not offer remuneration packages that reward behaviour that disadvantages the interests of clients in favour of Falcon, or other clients. Staff will be rewarded on the basis of merit. **Monitoring:** Our policies and procedures for identifying and managing conflicts of interest, and ensuring that significant issues identified as a result of the monitoring are reported to senior management will be the responsibility of the Compliance Officer at Falcon. For further information please contact your Account Executive.