

# Conflicts of Interest Policy-Summary

Cardano Risk Management Limited



cardano

# Contents

Introduction ..... 3

1. Scope ..... 3

2. Regulatory Background ..... 3

3. Definition ..... 4

4. What are the Parameters of the Policy? ..... 4

5. Identifying Conflicts ..... 4

6. Managing Conflicts ..... 5

## Introduction

The MiFID implementation directive stipulates that an investment firm must take all appropriate steps to identify conflicts of interest (“**conflicts**”) that arise in the course of providing any investment and ancillary services or combinations thereof:

- between themselves – including their managers, employees and tied agents or any person directly or indirectly linked to them by control – and their clients;
- or between one client and another.

The investment firm must:

- take all appropriate steps to identify relevant conflicts of interest that arise in the course of providing any investment and ancillary services;
- operate and maintain effective organisational and administrative arrangements with a view to taking all appropriate steps designed to prevent conflicts of interest from adversely affecting the interests of their clients;
- where these organisational arrangements are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, the firm shall clearly disclose the general nature and/or sources of conflicts of interest to the client before undertaking business on its behalf.

Senior management of Cardano Risk Management Limited (“**Cardano**”) is committed to strong management oversight and control of conflicts of interest by taking responsibility for any actual or potential conflicts arising within the firm and setting up procedures for identifying, managing and recording such conflicts.

## 1. Scope

While conflicts of interest are inherent in most aspects of economic activity, the purpose of this Policy is to help Cardano employees, contractors and secondees (“**colleagues**”) identify, avoid and where avoidance is not possible, mitigate and manage the conflicts that may arise between Cardano and any clients or third parties to reduce the risk of legal liability, regulatory censure or damage to Cardano’s commercial interests and reputation.

The Policy identifies actual and potential conflicts arising within Cardano and procedures for managing those conflicts.

Therefore all Cardano colleagues, including contractors and any other person directly or indirectly linked to Cardano by control that is involved in the provision of services to Cardano’s clients must adhere to the Policy.

## 2. Regulatory Background

Principle 8 (Conflicts of Interest) of the FCA Principles for Business requires Cardano to manage conflicts of interest fairly, and SYSC 10 sets out requirements for the identification, record keeping and management of conflicts of interest. When we have, or may have, a conflict between ourselves and our client, or between one client and another client, we must pay due regard to the interests of each client and will manage the conflict fairly.

The Board of Directors has management oversight and control of conflicts within Cardano and take responsibility for any actual or potential conflicts arising within the firm and have set up procedures for identifying, managing and recording such conflicts.

## 3. Definition

A conflict of interest is a situation where competing obligations or motivations result in, or are likely to result in detriment to the client.

Cardano defines a conflict of interest as a situation where:

- A client is disadvantaged/makes a loss when Cardano (including employees, agents, contractors or any person directly or indirectly linked to Cardano by control) are at an advantage/make a gain
- A client makes a gain/avoids a loss when another client makes a loss/is disadvantaged
- Any instance in which activity by Cardano in one situation may compromise our advice or create a perception that our advice may be compromised and therefore limit our ability to act in another situation.

This is likely to be as a result of one or more of the situations detailed below arising whereby Cardano (including its colleagues, agents, contractors or any person directly or indirectly linked to us by control):

- is at an advantage to make a gain or avoid a loss at the expense of the client;
- has an interest in the outcome of a service provided to the client or a transaction undertaken 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 interests of one client or group of clients over the interests of another client or group of clients;
- carries on the same business as the client;
- receives from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.

## 4. What are the Parameters of the Policy?

Cardano has established and implemented the Policy which is appropriate to the investment services that Cardano provides and the client base.

The Policy takes into account any circumstances, of which Cardano is or should be aware, which may give rise to a conflict of interest, including as a result of the structure and business activities of the other members of the Cardano Group.

## 5. Identifying Conflicts

Cardano is required to take all appropriate steps to identify actual and potential conflicts that may cause a material risk of damage to the interests of a client. The Board of Directors is responsible for determining what amounts to a 'material risk of damage' in a particular case.

When considering whether a conflict of interest does, or has the potential to exist, the following should be taken into account:

- Is Cardano likely to make a financial gain, or avoid a financial loss, at a client's expense?
- If Cardano is providing a service to the client, does Cardano have 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 separate and distinct from the client's interest in that outcome?
- Does Cardano have a financial or other incentive to favour the interests of one client (or group of clients) over the interests of another client?

- Does Cardano carry on the same business as the client?
- When providing a service to a client, does Cardano receive or will it 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 fee for that service?

Each person in Cardano involved in providing investment services to clients must be aware of any potential conflicts of interests. Potential conflicts should be considered, particularly, in the context of:

- the launch of a new service, activity or product;
- the expansion of the client base to include new and differing types;
- change in regulation and/or market practice; or
- current and previous employment and other interests of a colleague and their close family members.

All colleagues are required to be alert to potential conflicts and provide full written information on any actual or potential conflicts that they are aware of to their supervisor and Compliance, including potential conflicts due to positions held by family members.

## 6. Managing Conflicts

To manage conflicts of interest within the company, Cardano maintains a Conflicts Inventory. The purpose of the inventory is to record and maintain a list of actual and potential conflict scenarios that may cause a material risk of damage to the interests of a client. These are conflicts that arise from the business model, commercial considerations and services provided. The inventory also sets out measures Cardano has taken to manage such actual or potential conflicts.

The Conflicts Inventory should make references to the following matters:

- It must identify the service or activity that Cardano may carry out for a client;
- The circumstances which constitute or may be perceived to give rise to a conflict of interest entailing a material risk of damage to the interests of the client; and
- Specify the procedures to be followed and measures to be adopted with a view to preventing the conflict of interest from resulting in or giving rise to a material risk of damage to the interests of clients.

**In addition, a register is maintained of personal conflicts of interest and project or transaction specific conflicts. As and when a conflict of interest of this nature is identified by a colleague, it must be brought to the attention of Compliance to record the conflict in the Conflicts Register. The register will capture the nature of the conflict, who is impacted, the duration and approach to manage the conflict.**

Conflicts of interest, once identified, must be managed in a way that ensures that clients' interests are not adversely affected. This means that the conflict should be managed in such a way that all clients are treated fairly and Cardano conducts its business with integrity and according to proper business standards.

The following types of control are examples of those suitable for managing conflicts of interest:

- i. Control of information: preventing/controlling the exchange of information between opposing sides of a conflict of interest e.g. by establishing a fire wall / information barrier / ethical wall (see below)
- ii. Separate supervision: subjecting individuals on opposite sides of a conflict of interest to separate supervision
- iii. Removal of remuneration links: removing direct links between the remuneration of individuals on opposite sides of a conflict of interest or linking remuneration to activity that may conflict with the interests of some clients e.g., aggressive sales target remuneration

- iv. Control over inappropriate influence: preventing the inappropriate influence of one individual over another e.g., where the person who decides or influences an individual's bonus may exert undue influence over that individual's integrity of judgement
- v. Peer Review – see Appendix H
- vi. Where a colleague is on a position of conflict, removing that individual from service delivery or decision making in respect to the party that the individual is in a position of conflict with.

If the adoption or the practice of one or more of those measures and procedures does not ensure the requisite level of independence, Cardano will adopt such alternative or additional measures and procedures as are necessary and appropriate for those purposes.

Special attention should be paid to activities where Cardano or a person directly or indirectly linked by control to Cardano performs a combination of two or more activities where a conflict of interest could arise.

The generic procedures referred to above are not a substitute for transaction-specific conflicts management. Persons dealing with clients must be familiar with the scope of this policy and identify conflicts as and when they arise.

Where the arrangements made to manage conflicts are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, as a last resort and before undertaking business for the client, Cardano will clearly disclose the conflict to the client, providing a specific description which will include the general nature and sources of conflicts to the client. The disclosure must be in a durable medium and detail how it is intended to manage the conflict and the risks to the client to enable the client to make an informed decision whether or not to proceed with the service or transaction.

