

**HYCM (Europe) Ltd**  
**Summary of Conflicts of Interest Policy**  
**(version 2.0)**

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## **1 INTRODUCTION**

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HYCM (Europe) Ltd (hereinafter “HYCM” or “the Company”) is regulated by CySEC under licence #259/14. HYCM (Europe) Ltd (“the Company”) is required, in accordance with the European Union’s Markets in Financial Instruments Directive (MiFID) and in accordance with the Investment Services Activities and Regulated Market Law 2007 (“the Law”) in Cyprus to provide information on the Company’s policy on conflicts of interest and its approach to managing any conflicts of interest.

In accordance with Directive DI144-2007-01, CIFs are required to establish, implement and maintain an effective Conflicts of Interest Policy setting out in writing and appropriate to the size and organisation of the CIF and the nature, scale and complexity of its business. In addition, according to Law, the Company must take all reasonable steps to identify conflicts of interest between itself, including its managers and employees, tied agents or other relevant persons, as well as any person directly or indirectly linked to them by control, and their clients or between one client and another, that arise in the course of providing any investment and ancillary services.

In this respect, the Company must establish adequate policies and procedures sufficient to ensure compliance, including its managers, employees, tied agents and other relevant person(s), with its obligations pursuant to the Law and the directives issued pursuant to this Law, as well as appropriate rules governing personal transactions by such persons.

The Company is committed to act honestly, fairly and professionally and in the best interests of its clients and to comply, in particular, with the principles set out in the above legislation when providing investment services and other ancillary services related to such investment services

## **2 PURPOSE**

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The purpose of this Policy is to specify the procedures put in place by the Company, for identifying and responsibly managing and controlling and, where necessary, disclosing the conflicts of interests arising in relation to its business and to reduce the risk of client disadvantage and reduce the risk of legal liability, regulatory censure or damage to Company’s commercial interests and reputation and to ensure that it complies with legislative requirements and the departmental and general procedures which are set by its Internal Procedures Manual.

## **3 POLICY AND SCOPE OF THE POLICY**

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The Policy applies to all its directors, employees, any persons directly or indirectly linked to the Company (hereinafter called “Relevant Persons”) and refers to all interactions with all Clients.

All employees of HYCM must on commencement of their employment read and fully understand the Policy. All employees of the Company are obliged to register their acceptance of having read and understood the Policy in a register, which is to be filed and managed by the Chief Executive Officer of

the Company. Any employee that suspects any conflict of interest must immediately inform the Chief Executive Officer who will determine if any conflict does exist or has the potential to arise and will state the reasoning for their findings in a file kept in storage for referral to the Commission should such need arise.

The Company and its employees who are involved in investment research must not:

- act as a result of an inducement;
- promise issuers favourable research coverage;

If any draft investment reports contain recommendations or target prices, the employees must not review the research material, other than for the purpose of verifying its compliance with the legal obligations.

In particular, the Company defines a conflict of interest as any situation where either the Company or an individual is in a position to exploit a professional or official capacity in some way for either corporate or personal benefit. Situations where conflicts of interest can occur include the following:

- The Company or a relevant person, or a person directly or indirectly linked by control to the Company, is likely to make a financial gain or avoid a financial loss, at the expense of the client.
- The Company or a relevant person, or a person directly or indirectly linked by control to the Company, has an interest in the outcome of a service provided to the client, or of the transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome.
- The Company or a relevant person, or a person directly or indirectly linked by control to the Company, has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client.
- The Company or a relevant person, or a person directly or indirectly linked by control to the Company, carries on the same business as the client.
- The Company or a relevant person, or a person directly or indirectly linked by control to the Company, 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 money, goods or services, other than the standard commission or fee for that service.

Relevant person in relation to the Company, means any of the following persons:

- a. a member of the board of directors, partner or equivalent, manager or tied agent of the Company;
- b. a member of the board of directors, partner or equivalent, or manager of any tied agent of the Company;
- c. an employee of the Company or of a tied agent of the Company, as well as any other natural person whose services are placed at the disposal and under the control of the Company or a tied agent of the Company who is involved in the provision by the Company of investment services or/and the performance of investment activities;

- d. a natural person who is directly involved in the provision of services to the Company or to its tied agent under an outsourcing arrangement for the purpose of the provision by the Company of investment services or/and the performance of investment activities;

The affected parties if conflict of interest arises can be the Company, its employees or its clients. More specifically, a conflict of interest may arise, between the following parties:

- a) Between the client and the Company.
- b) Between two clients of the Company.
- c) Between the Company and its employees.
- d) Between a client of the Company and an employee/manager of the Company.
- e) Between Company's Departments.

While it is not feasible to define precisely or create an exhaustive list of all relevant conflicts of interest that may arise, as per the current nature, scale and complexity of the Company's business, the following list includes circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more Clients, as a result of providing investment services:

- The Company or a relevant person or a person directly or indirectly linked by control to the Company is likely to sustain an overall financial loss or avoid a financial loss, by executing a client's specific order.
- The Company or a relevant person or a person directly or indirectly linked by control to the Company is likely to sustain an overall financial gain by not executing a client's specific order.
- The market moves to a direction of a point/timing when by executing client's order will result in a financial loss for the Company.
- The Company's hedging policy is affected negatively by the market movement and as a result client's orders are rejected in order to prevent a financial loss for the Company.
- The Company may use entities which are members of its group as counterparties to certain transactions.
- The Company may receive or pay inducements to or from third parties due to the referral of new Clients or Clients' trading.

Following company's acquisition from Henyep Capital Markets Group, and as per the current nature, scale and complexity of the Group, the following list (not exhaustive) includes circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more Clients, as applicable. The Company may:

- effect transactions in which it or any other member of the Group has, directly or indirectly, a material interest, which may involve a potential conflict with Company's duty to its Clients;
- effect transactions in securities in respect of which the Company or another member of the Group may benefit from a commission or fee payable otherwise than by the Client, and/or the Company or another member of the Group may also be remunerated by the counterparty to any such transaction;

- execute client orders with entities belonging to the Company's Group where the revenues of those entities is largely generated from client's trading losses;
- have a direct or indirect interest in a transaction.

*It should be noted that the above circumstances which constitute or may give rise to a conflict of interest, are not necessarily detrimental to the interests of Clients.*

#### **4 PERSONAL TRANSACTIONS OF EMPLOYEES**

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All employees of the Company that are involved in research or other investment activities must be aware to the best of their knowledge of the restrictions on personal transactions detailed below. This section also includes personal transactions which may be performed by persons who are employed by companies which perform an outsourced activity to the Company, if any. If any prohibited personal transactions are entered into, the Company must be notified promptly.

Employees of the Company that are involved in the provision of investment services and the dissemination of investment research or other activities must not enter into the personal transactions that which will cause the following:

- enter into a transaction prohibited under section 9 of the Insider Dealing and Market Manipulation (Market Abuse) Law,
- misuse or cause improper disclosure of confidential information,
- enter in a transaction that is likely to conflict with any obligations of the Company, or the employee, that are stated under the law.

Where the employee has come into contact with information which is not publicly available to clients or cannot readily be inferred from information that is so available, the employees must not act or undertake personal transactions or trade, other than as market makers acting in good faith and in the ordinary course of market making, or in the execution of an unsolicited client order, on behalf of any other person, including the Company.

The employees must not disclose any opinion other than in the normal course of business, if the person who is given the opinion is likely to enter into a transaction which is contrary to the above. The employee also should not provide an advice or provide to anyone any information, other than in the proper course of his/her employment, especially if it is clear that the person who is receiving such information will advise another party who might acquire or dispose of financial instruments to which that information relates.

Any client's orders that have been relayed to any employees of the Company must not be disclosed to another party. An employee of the Company who has knowledge of a potential client's order must not carry out a personal transaction that is the same as the client order, if this will cause a conflict of interest.

## 5 PROCEDURES AND CONTROLS OF MANAGING CONFLICTS OF INTERESTS

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In general, the procedures and controls that the Company follows to manage the identified conflicts of interest include the following measures (list is not exhaustive):

### 5.1 INDEPENDENCE

The following measures have been adopted by the Company for ensuring the requisite degree of independence:

- Measures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest (i.e. by establishing a Chinese wall)
- 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 Company. The Company's department whose interests may conflict with clients is the *Dealing Room*.
- Removal of any direct link between the remuneration of relevant persons principally engaged with 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: *Dealing room employees do not relate their remuneration with clients' performance.*
- Measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities. Additionally, the person who decides or influences an individual's bonus may exert undue influence over that individual's integrity of judgment.
- Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities such as reception and transmission of clients' orders and tasks such as portfolio decision making and calculating performance.
- Establishment of in-house Compliance Department to monitor and report on the above to the Company's Board of Directors.
- Segregation of duties that may give rise to conflicts of interest if carried on by the same employee.
- Prohibition on officers and employees of the Company having external business interests conflicting with the interests of the Company without the prior approval of the Company's board of directors.
- A "need-to-know" policy governing the dissemination of confidential or inside information within the Company.
- Appointment of Internal Auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors.
- Establishment of the "four-eyes" principle in supervising the Company's activities.
- The Company undertakes on-going monitoring of business activities to ensure that internal controls are appropriate;

- Establishment of Personal Transactions Policy;
- Procedures governing access to electronic data
- Advises/recommendations on transactions are prohibited;
- Divisions and legal entities of the Group operate with appropriate independence from one another;
- There is controlled flow of information between different Group entities/outsourcing service providers where, otherwise, the risk of a Conflict of Interest may harm the interests of a Client;
- Supervisory arrangements provide for separate supervision of staff of the different Group entities where necessary for the fair management of Conflicts of Interest, as applicable;

### **5.1.1 Chinese Walls**

The Company has constructed adequate Chinese Walls, in accordance with the legal requirements between its departments and has established clear lines of responsibility, in order to avoid the flow of information held by a person in the course of carrying out a part of its business to be withheld from or used by persons who are in the process of carrying out another part of its business.

In particular, physical barriers have been established in order the flow of information is restricted between employees, access has been limited in relation to information and documentation and communication has been restricted between certain employees during the course of carrying out their parts of business.

## **5.2 DISCLOSURE OF CONFLICT OF INTEREST**

If during the course of a business relationship with a Client or group of Clients, the organizational or administrative arrangements/measures in place are not sufficient to avoid or manage a conflict of interest relating to that Client or group of Clients, the Company will disclose the conflict of interest before undertaking further business with the Client or group of Clients. The disclosure will be made in sufficient time and in a durable mean and shall include sufficient detail, taking into account the nature of the client, to enable him to take an informed decision with respect to the investment or ancillary service in the context of which the conflict of interest arises.

Clients will be given the opportunity to decide on whether or not to continue their relationship with us with no unreasonable obstacles.

## **5.3 MARKETING COMMUNICATION**

As a general rule the Company prior to distributing any marketing communication material to its clients and/or potential client, ensures that it has been reviewed and approved by its Compliance Officer. On the above mentioned basis, the Company shall ensure that any recommendation contains a clear and prominent statement that (or, in the case of an oral recommendation, to the effect that) it has been prepared in accordance with legal requirements designed to promote the independence of investment research and that it is not subject to any prohibition on dealing ahead of the dissemination of investment research.



## 5.4 RECORD KEEPING

The Company keeps and regularly updates a record of the kinds of investment and ancillary service or investment activity carried out by or on behalf of the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen, or, in the case of an ongoing service or activity, may arise. Any conflict of interest shall be reported to the Company's Managing Director and Compliance Officer, who shall be responsible for keeping records of conflicts of interest.

## 6 REPORTING CONFLICTS OF INTERESTS

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In the case of identification of a possible conflict of interest, a staff member must refer it initially to his immediate supervisor to assist in the assessment of a material risk of damage and send a completed Conflict of Interest Notification Form to the Compliance Officer for her review and evaluation. The Conflict of Interest Notification Form shall be as full in details as possible to allow regulatory scrutiny, of:

- corrective and preventive actions;
- how these actions were considered appropriate;
- any conditions imposed; and
- whether there are still ongoing conflicts, how these are being managed and advised to the client;

The Compliance Officer following her evaluation, would report the findings to the Board of Directors.

## 7 RESPONSIBILITIES:

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The Company's Senior Management is required to:

- fully engage in the implementation of policies, procedures and arrangements for the identification, management and ongoing monitoring of conflicts of interest;
- adopt a holistic view to ensure the identification of potential and emerging conflicts within and across business lines and to ensure that informed judgments are made with respect to materiality;
- raise awareness and ensure compliance of relevant individuals by ensuring: regular training (including to contractors and third party service providers' staff) both at induction and in the form of refresher training; the clear communication of policies, procedures and expectations; that awareness of conflicts procedures forms part of the performance review/appraisal process, and that the best practice is shared throughout the Company.
- sponsor robust systems and controls and effective regular reviews to ensure that strategies and controls used to manage and mitigate risks remain appropriate and effective and that appropriate warnings and disclosures are issued to clients where necessary;
- utilize management information to remain sufficiently up-to-date and informed; and
- support an independent review of the processes and procedures in place.

All company's employees are required to identify new conflicts of interest arising out of the activities/services that they perform and engage in the process to notify line management upon identifying any potential conflict.

## **8 CONFLICTS DEADLOCK**

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Where line management cannot resolve a conflict to the satisfaction of all parties, the Compliance Officer will, as the Approved Person with responsibility for Compliance, have the final say.

## **9 CLIENT'S CONSENT**

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By entering into an Agreement with the Company for the provision of Investment Services, the Client is consenting to an application of this Policy on him/her. Further, the Client consents to and authorises the Company to deal with the Client in any manner which the Company considers appropriate, notwithstanding any conflict of interest or the existence of any material interest in a Transaction, without prior reference to the Client.

In the event that the Company is unable to deal with a conflict of interest situation it shall revert to the Client.

## **10 AMEMEDEMMENT OF THE POLICY**

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The Company reserves the right to review and/or amend its Policy and arrangements whenever it deems this appropriate without notice to the Client.

Should you require any further information and/or have any questions about Company's conflicts of interest please direct your request and/or questions to [info@hycm.com](mailto:info@hycm.com)