

Outline of ICAP's Conflicts of Interest Policy

Under the Markets in Financial Instruments Directive ("MiFID") and Sections 31 et seqq. of the German Securities Trading Act (*Wertpapierhandelsgesetz, WpHG*), ICAP Deutschland GmbH is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage any conflicts of interest. ICAP Deutschland GmbH ("ICAP") is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. Set out below is a summary of our policy and the key information that is needed by clients and counterparties (together, the "**clients**" and each a "**client**") to understand the measures ICAP is taking to safeguard the interests of its clients.

ICAP's Conflict of Interest Policy

ICAP seeks to:

- identify circumstances which may give rise to conflicts of interest entailing a material risk of damage to clients' interests;
- establish appropriate mechanisms and systems to manage those conflicts; and
- maintain systems in an effort to prevent actual damage to clients' 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 ICAP's business in the course of providing its clients with a service which may benefit ICAP (or another client for whom ICAP is acting) whilst potentially materially damaging another client where ICAP owes a duty to the client. There may be a conflict where ICAP (or anyone connected to ICAP including another ICAP affiliate or associate):

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

ICAP 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 clients. The conflicts identified include:

- those between clients with competing interests;
- those between clients and ICAP where their respective interests in a particular outcome may be different;
- those between the personal interests of staff of ICAP and the interests of ICAP or its clients where those interests may be different; and
- those that might arise as a result of brokers covering relatives.

Policies and procedures

ICAP has adopted numerous internal policies and procedures, as 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:

(a) Integrity and Standards of Conduct

ICAP 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 & Competency procedures and monitoring programme at ICAP are designed to ensure that all relevant staff are familiar with the relevant regulatory requirements and the respective internal procedures.

(b) Client Orders

In order to ensure as fair treatment as possible for clients, the ICAP execution policy requires it to take all reasonable steps to achieve the best overall trading result for clients; to exercise consistent standards and operate the same processes across all markets, clients and financial instruments in which it operates.

No undue preference should be given to any client when trades are aggregated. Re-allocation to any individual client may only be made to correct an error or to adjust an uneconomic initial allocation, e.g. on a partial fill of an order.

There may be occasions when client orders may have a material affect on a relevant securities price. In order to ensure that a broker does not take advantage of the situation by dealing on his/her own account or encouraging a third party to deal, ICAP has a strict "no front running" policy.

In order to ensure a fair and orderly dealing environment within the market, ICAP further ensures that its staff comply with the regulator's rules and any applicable German law, which aim to prevent insider trading, the misuse of information and market manipulation.

(c) Personal Account Dealing ("PAD")

ICAP has a policy on PAD and the rules are signed off as understood by all relevant employees regardless of their position within the ICAP Group.

Staff may not deal the same way for personal account as a client order or potential order before it is executed or where a client's interest could be adversely affected.

Relevant employees shall not deal in stock within 5 days of a research recommendation being published and in no circumstances where a client order is pending.

Further, PAD procedures require ALL permanent ICAP employees, and certain designated others, to obtain pre-approval by line management and the Compliance Department when PA dealing in Equities or Equities related instruments.

All staff are required to take a training course on Personal Account Dealing rules.

(d) Confidentiality

ICAP has put in place procedures to control or prevent the flow of information between ICAP business units and entities where the interests of customers of one business unit or entity may conflict with the interests of customers of another ICAP business unit or entity or with ICAP's own

interests. Furthermore ICAP 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. For more information regarding Confidentiality and Anonymity of customer interest, orders and transactions, consult your regional Compliance Manual and/or the ICAP Group's Compliance Rule of Conduct.

(e) Inducements to Employees from Clients

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

ICAP staff are not allowed to place undue pressure upon clients to persuade the client to trade through the firm to the extent that this might give rise to a conflict of interest between that client and its own underlying clients.

(f) Group Companies

Clients are to be informed of the relationship where the counterparty to the deal is another ICAP Group Company or where the services of another ICAP Group Company is recommended.

(g) Remuneration Policy

All relevant staff who may be open to a conflict of interest are paid a basic salary including those in key support areas such as Compliance, Finance and Operations. This salary is not dependent on company performance. A bonus structure does exist which is linked to company performance, team performance or the individual's performance. It is at the discretion of the senior management and notified only on payment.

(h) Separate supervision and segregation of function

Where appropriate, ICAP has arranged for the separate supervision of those carrying out functions for clients whose interests may conflict, or where the interests of clients and ICAP 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.

(i) ICAP Compliance Monitoring Programme

ICAP Compliance department has an established and documented compliance monitoring programme of which part of this programme focuses on conflicts of interest and recognising where there may be a potential conflict. Compliance reviews Personal Account Dealing and monitors contract notes for such dealing. It also reviews the current Chinese Walls and information barriers and confirms the effectiveness.

(j) 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 ICAP, sufficiently protect the interests of clients, the conflict of

interest will be disclosed to clients to enable an informed decision to be made by the client as to whether they wish to continue doing business with ICAP in that particular situation.

(k) Declining to Act

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

Any queries on the above should be directed to the Compliance Department.