



<b>Name:</b>	<b>VCMHK Conflict of Interests Policy</b>
<b>Version:</b>	V2.1
<b>Originator:</b>	Compliance Department
<b>Addressees:</b>	All VCMHK staff

## **Purpose**

The policy covers circumstances which give rise to a conflict of interests between VCMHK and our clients, and between our clients. It describes the structures and procedures for handling potential and/or actual conflicts of interests to ensure that these are managed in a timely, fair and compliant manner.

## **Regulatory Background**

The SFC stipulates such obligation in General Principle 9 of the Code of Conduct, which says:-

*“A licensed or registered person should try to avoid conflicts of interest, and when they cannot be avoided, should ensure that its clients are fairly treated.”*

The Code further stipulates that the expected disclosure and fair treatment obligations in paragraph 10.1:-

*“Where a licensed or registered person has a material interest in a transaction with or for a client or a relationship which gives rise to an actual or potential conflict of interest in relation to the transaction, it should neither advise, nor deal in relation to the transaction unless it has disclosed that material interest or conflict to the client and has taken all reasonable steps to ensure fair treatment of the client.”*

## **Conflicts**

A conflict of interests may arise in the course of our providing services to clients where we (or another client) benefits at the expense of a client.

When identifying conflicts, brokers must take into account, as a minimum, whether the broker, the Company, or another client is likely to:-

- make a financial gain, or avoid a financial loss, at the expense of a client or the Company;
- have an interest in the outcome of a service provided to a client which is contrary to the client's;
- have a financial or other incentive to favour the interest of one client over the interests of another;
- compete with a client; or
- receive an inducement in relation to a service provided to a client, in the form of money, goods or services, other than the agreed commission between the Company and the client.

VCMHK seeks to identify conflicts of interests and has implemented measures to monitor, manage and control the potential impact of those conflicts with or between its clients.

## **Dealing with Conflicts**

VCMHK has developed policies to identify and manage conflicts of interests in the following areas:-

- I. Personal Account Dealing
- II. Training and Competency
- III. Inducements
- IV. Best Execution
- V. Staff Annual Undertaking of Compliance Manual
- VI. Segregation of Supervision and Functions
- VII. Chinese Walls
- VIII. Changes to Rate Agreements or Commission
- IX. Disclosure
- X. Refusal of Service

The Company also has a Conflict of Interests Register to record and monitor areas of potential and actual conflict.

- I. Personal Account Dealing** – VCMHK’s policy requires all employees to disclose to Compliance any securities and derivatives trading accounts in their own name, of which they are a beneficiary, or for which they have authority to act. Staff are required to instruct the relevant external broker(s) to forward duplicate monthly statements to the Compliance Department for monitoring. Generally, staff are prohibited from dealing in the same product in which they broke for their clients without prior management approval. For further details please refer to VCMHK Compliance Manual and VCMHK Personal Account Dealing FAQs.
- II. Training and Competency** – Staff should ensure that they exhibit the highest standards of ethic and integrity when dealing with clients. All licensed staff must fulfil their annual CPT requirements to ensure they remain fit and proper to carry-out regulated activities. Periodically, Compliance would circulate internal memorandum and regulatory updates to ensure that staff are abreast of changes to the regulatory environment.
- III. Inducements** – Staff are not allowed to accept or offer gifts, entertainment or any other inducement from or to any person in return for an advantage. For further details please refer to VCMHK Execution Policy and VCMHK Employee Handbook. A copy of the Hong Kong Prevention of Bribery Ordinance is available on the HK Intranet.
- IV. Best Execution** - To ensure fair treatment for clients, the VCMHK Execution Policy requires brokers to take reasonable steps to achieve the best overall trading results for clients. For further details please refer to VCMHK Execution Policy.
- V. Staff Annual Acknowledgement of Compliance Manual Understanding** – The acknowledgement provides VCMHK with an annual confirmation that brokers are aware of and understand the relevant requirements expected of them. New staff are required to undertake to adhere to the Compliance Manual and other applicable internal policies and procedures at the start of their employment.
- VI. Segregation of Supervision and Functions** – We observe and implement the segregation of duties to avoid of potential conflicts of interests to the extent reasonable and commensurate with the size and nature of our business model and operations.

Notwithstanding the foregoing, we have aligned our organizational structure and reporting lines to ensure the segregation of duties between our front, middle and back offices.

- VII. Chinese Walls** – Chinese Walls are used to reduce the actual or appearance of conflicts of interests from the inappropriate use of non-public price-sensitive information entrusted to us by our clients. Where appropriate and subject to confidentiality agreements, if any, a wall-crossing procedure should be observed to record and monitor the activities of staff who have been “wall-crossed” for access to confidential information on a need-to-know basis. Compliance would notify wall-crossed staff to ensure that they are aware of their confidentiality obligations

There may also be occasions when client’s orders may have a material effect on the price of a relevant security. Brokers should ensure that they do not take advantage of the information for the benefit of themselves, the firm or any other client. Brokers should also be aware of the client priority principle set out in the Code of Conduct, including the prohibition against insider dealing or any other form of market manipulation.

- VIII. Changes to Rate Agreements** may be indicative of preferential treatment of clients by reason or inducement or other improper rationale which give rise to an underlying conflict of interests. No changes to rate agreements should be made without the prior approval of the desk head, or of management if the change is initiated by the desk head. In circumstances where a change to a rate agreement may be indicative of a potential conflict of interests, Management or Compliance should be notified at the earliest opportunity.

- IX. Disclosure** - Under circumstances where a conflict cannot be managed or eliminated appropriately, the conflict should be disclosed to the relevant clients for them to make an informed decision as to whether they wish to continue with the particular transaction(s).

Where rectifications of an error or where mismatches in trade parameters unintentionally results in, or may result in, a profit to the Company, the benefit of that profit should be disclosed and offered to the client. If disclosure cannot be made in a practical or timely manner, the rectification or the commercial fill transaction should be carried out at zero profit to the Company.

Disclosure to clients must be made in a recorded medium. The disclosure should be clear, true, fair and not misleading. Disclosures must be recorded and signed off using the Conflicts of Interest Declaration Form (see Annex 1).

- X. Refusal of Service** may occur in circumstances where VCMHK is of the view that it is not in a position to manage a particular conflict of interest to its satisfaction, and that it has to decline to do business with or act for a client. Any refusal of service must be recorded and signed off using the Conflicts of Interest Declaration Form (see Annex 1).

- XI. Conflicts of Interest Register** – VCMHK has a Conflicts of Interest Register for recording of conflicts of interest incidents which occurred as a result of the activities carried-out by the Company. The Company should periodically review the Register and to take appropriate actions to address any control deficiency to ensure such conflicts from not happening in the future. The Register is maintained by Compliance and in circumstances where a conflict of interest is deemed to be material, Compliance should timely report this to the Board.

If you have any questions with regards to this Policy and/or any issue concerning conflicts of interest in general, please contact the Compliance Department by emailing [compliance@vcm.hk](mailto:compliance@vcm.hk). Alternatively, you may choose to speak to the following persons in a confidential manner.

Simon Clowes, Managing Director	Ph: (852)2200-5280 / <a href="mailto:sclowes@vcm.hk">sclowes@vcm.hk</a>
Clarence Ng, Head of Legal & Compliance - Asia	Ph: (852)2200-5260 / <a href="mailto:cng@vcm.hk">cng@vcm.hk</a>

### ANNEX 1- CONFLICT OF INTERESTS DECLARATION

This form must be completed and emailed to Heads of Desk and/or Managing Director for review and sign-off. Once completed please send it to Compliance.

<b>Broker Name:</b>
<b>Desk:</b>
<b>Details of the Conflict of Interest:</b> <i>(including client's details and potential impact to other clients)</i> <b>Client(s):</b>
<b>Date Identified:</b>
<b>Details:</b>
<b><u>To be completed by Head of Desk only</u></b>
I confirm that all relevant details of this reported potential conflict of interest are disclosed and recorded here. Upon my review and assessment, below are my recommendations:-  <ul style="list-style-type: none"> <li>i) Is disclosure of the concerned conflict to client(s) is recommended? YES/NO</li> <li>ii) Is refusal of service recommended? YES / NO</li> </ul>
<b>Sign-off by Head of Desk:</b>
Signature: _____ Date: _____
<b>Sign-off by Managing Director:</b>
Signature: _____ Date: _____
<b>Receipt by Compliance:</b>
Signature: _____ Date: _____