

# CANTOR FITZGERALD EUROPE CONFLICTS OF INTEREST POLICY STATEMENT

## 1. Introduction

The Markets in Financial Instruments Directive 2014/65/EU (“MIFID”) requires investment firms to put into place policies and procedures in relation to conflicts of interest and for a summary thereof to be made available to clients. These requirements are mirrored in the Rules and Guidance of the Financial Conduct Authority (“FCA”). This document sets out to meet those requirements.

## 2. Scope

Cantor Fitzgerald Europe Limited (“CFE” or “the Firm”) is committed to treating its customers fairly by identifying, preventing, monitoring and managing all actual and potential conflicts of interest that could arise in the course of our business with you. Our Conflicts of Interest Policy applies to all employees, businesses and functions across the Firm and also applies to any third parties or contractors who act on CFE’s behalf.

## 3. What is a conflict of interest?

A conflict of interest can be described as a situation in which someone in a position of trust has competing professional and/or personal interests which make it difficult to fulfil their duties fairly. Potential and actual conflicts of interest may arise between:

- CFE and the interests of one or more clients;
- CFE employees and the interests of one or more clients;
- The group to which CFE belongs and one or more clients; or
- Two or more CFE clients.

As a minimum, when identifying the types of potential and actual conflict of interest that could arise, we must take into account whether CFE, the group to which it belongs, its employees, a client or persons linked to it by control:

- Is likely to make a financial gain, or avoid a financial loss, at your expense;
- Has an interest in the outcome of a service provided to you or of a transaction carried out on your behalf, which is distinct from your interest in that outcome;

- Has a financial or other incentive to favour the interests of another client or group of clients over your interests;
- Carries on the same business as you do; or
- Receives or will receive from a person other than yourself an inducement in relation to a service provided to you, in the form of either a monetary or non-monetary benefit or service.

#### **4. Identifying conflicts of Interest**

We require all employees to notify our Compliance department if they suspect a conflict of interest may arise or has arisen. Employees are aware of the types of conflicts of interest that may arise and are required to be vigilant as to where and when new conflicts of interest may occur. In addition to this, we have a number of procedures in place which are designed to facilitate the identification of conflicts of interest.

#### **5. Managing conflicts of Interest**

MIFID requires that conflicts of interest are managed where possible by administrative and organisational measures rather than by means of a disclosure of the conflict to the relevant parties.

We have put in place arrangements to manage specific types of conflicts of interest including those arising in the following areas:

##### **Corporate Finance**

The Corporate Finance department is in possession of both inside and confidential information about actual and potential corporate clients and their proposed transactions. A conflict of interest would arise if this information were to be made generally available to the public side of the business e.g. to our market makers or traders. To prevent this, we have put in place a Chinese wall around our Corporate Finance departments restricting the flow of inside and confidential information from the departments to the public side of our business.

Another potential type of conflict of interest arises on the placing of our corporate clients' new and secondary issues with investors. A conflict can arise as our Corporate Finance department acts on behalf of our corporate client with the public side of the business acting either for investment clients or for CFE itself leading to conflicting interests over pricing of the financial instruments being offered. This conflict is managed by Corporate Finance making the pricing decision rather than the public side of the business. A further potential conflict arises in relation to the allocation of primary or secondary issues where preferential allocations could be made to CFE or to its favoured clients to the disadvantage of the corporate client or other clients. This potential conflict is addressed by having an allocation policy and providing it to the corporate client prior to the placing, discussing with the corporate client the proposed allocation, procuring their agreement to the types of client to which their financial instruments are to be allocated and by internal review procedures.

**Research**

Potential conflicts of interest could arise in relation to research due to pressure from subject companies to make content more positive or less negative, CFE dealing ahead of research and the selective distribution of research to preferred clients. With regard to research content we have put in place internal review processes and any draft research provided to issuers for review should not include any recommendations or price targets. Dealing ahead of research is prohibited by the Firm's procedures and is subject to monitoring by the Compliance department. The research distribution process and other controls should prevent the selective distribution of research.

**Remuneration**

Remuneration arrangements could influence employees to act against your interests. In order to address this risk our remuneration framework is structured in a manner that encourages behaviour which is in the best interests of clients and which promotes sound risk management practices.

**Personal account ("PA") dealing**

Conflicts can arise in relation to personal account dealing if employees deal against your interests. We have in place a PA Dealing Policy that includes procedures designed to prevent conflicts arising from PA dealing. The policy places restrictions on employee dealing including not dealing ahead of research recommendations and not front running client orders. All deals, subject to the PA Dealing Policy, are required to be reported by executing brokers to our Compliance department and all employees must consent to the PA dealing policy, the provisions of which also include the requirement not to infringe any market abuse prohibitions.

**Inducements, gifts and entertainment**

We have established a gift and entertainments policy setting out the limited circumstances in which inducements, or small gifts and minor hospitality, from third parties are acceptable. Controls are also in place governing the offering of gifts and entertainment to third parties. A main purpose of this policy is to ensure that inducements, gifts and entertainment are not accepted or provided where there is a risk of damage to a client's interests.

**Order handling and front running**

Conflicts arise if clients or CFE itself are given preference over other clients in the allocation of available stock where there is insufficient stock to settle all open trades. A conflict may also arise if we deal ahead of our clients' orders. We prohibit such practices and Compliance monitors for dealing ahead of client orders and will take appropriate action in relation to any instances of abuse, which may include disciplinary action and making a report to the FCA.

## **6. Disclosure of Conflicts of Interest**

If the administrative and organisational arrangements put in place by us to manage conflicts of interest are insufficient to ensure, with reasonable confidence, that risks of damage to your interests will be prevented, we will consider either:

- Making a disclosure of the conflict of interest to you before undertaking business with you; or
- Declining to act for you in relation to the proposed business.

MIFID states that firms should not place overreliance on disclosure to address conflicts of interest and that disclosure must not become the default option in relation to the management of conflicts of interest.

Where we deem disclosure to be an appropriate means of managing conflicts we will disclose to you the following information:

- A statement that the organisational and administrative measures to manage or prevent conflicts of interest are insufficient to ensure that your interests will not be damaged;
- The general nature or sources of the conflict of interest, or both;
- A specific description of the conflict of interest that arises in the provision of the services to you;
- The risks or potential risks arising to you from the conflict of interest; and
- The steps taken by us to mitigate that conflict and the associated risks to you.

## **7. Declining to act**

If we consider that a conflict of interest cannot be managed or prevented to ensure that you will be treated fairly, we will decline to act on your behalf. This could occur if we were already engaged by another client to carry out specific business and you approached us to act for you in relation to the same business, e.g. we would not be able to act in an advisory capacity for both the offeror and the offeree in a takeover bid.

## **8. Review of conflicts of interest**

Compliance will review the Conflicts of Interest Policy at least annually to ensure that the organisational and administrative measures designed to identify, manage, control and prevent conflicts of interest are sufficient to meet regulatory requirements and to prevent damage to your interests. In the event of us making a material change to our policy and this document, we will publish the revised version of this document on our website.

## 9. Recordkeeping

We maintain records as required by MIFID and the FCA Handbook in relation to conflicts of interest including a Conflicts of Interest Policy and a Conflicts Register.

## 10. Enquiries about conflicts of interest

If you have any questions or require further clarification, please raise these with your usual business contact.

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