

## POLICY FOR HANDLING CONFLICTS OF INTEREST

Approved by the Board of Directors: 31-03-2020

### Chapter 1 Background

The policy for handling conflicts of interest aims to ensure that the company relate actively to conflicts of interest and any risk for this cf. § 9 in the declaration of organisational requirements for securities trading and § 72, section 2, no. 2 in the Financial Business Act.

According to the declaration of organisational requirements for security trading, LCFM must ensure that conflicts of interest are identified, managed and prevented to safeguard the interests of the company's clients in the best possible way.

### Chapter 2 Identification of conflicts of interest

Conflicts of interest may, for instance, arise in one of the following situations:

- LCFM or an employee may obtain an advantage by being familiar with clients' interests, or if LCFM, a company within the company group, or an employee favour himself or others at the expense of a client.
- LCFM or an employee may obtain an advantage by giving the interests of a client preference over the interests of another client.
- LCFM carries on the same transactions as a client.
- A Trader at LCFM owns or has an interest in securities the client requests to trade.
- An employee at LCFM has a double employment, meaning the person is employed in a group company too, and an interest in the same securities may occur in both companies.
- Chairman of the Board, the Board of directors or the Executive Board must be involved in any decisions regarding securities they own or have an interest in via a profession outside LCFM.
- LCFM is market maker and holds a position in the securities, which the client intend to buy, or which LCFM intend to trade on behave of a client due to a asset management agreement.
- LCFM provides advice targeted and costumed the strategy of every single client regarding securities, which the company holds in its trading portfolio, and which the client intends to trade.
- LCFM provides an interest trade between two clients, where the company has an interest in giving a preference to one of these.
- LCFM has discretionary mandates as well as 'trading and advice on corporate bonds and mortgage bonds'. A conflict of interest may arise when employees within these two areas have a salary structure where bonus is incorporated, and thus there can be motive for increased turnover rate.
- LCFM has Investment Management agreements within the same area as 'trading and advice on corporate bonds and mortgage bonds' because as an Investment Manager one can obtain information regarding the client's behaviour. In this case, clients are when advice is given on mortgage bonds.

### Chapter 3 Prevention of conflicts of interest

It is highly important for LCFM to provide advice and services based on the client's requirements and thereby safeguard the interests of the client in the best possible way. This is supported in LCFMs organisation, policies, business procedures, systems as well as in the training of employees.

LCFM has an independent compliance function which control that the company comply with applicable legislation.

## **Business procedures**

To ensure appropriate management of conflicts of interest, LCFM has prepared processes, business procedures and organisational measures which identify, describe, and prevent conflicts of interest.

It includes:

- Employees receive instructions regarding conflicts of interest through the company's business procedures.
- Employees are aware of sharing knowledge and that internal knowledge cannot be used for investment decisions or be shared with clients.
- Employees with trade authority have received a list of securities in which they are allowed to trade.
- Analysts cannot own or trade positions in the securities for which they prepare advice on.
- In relation to asset management LCFM cannot take positions in the trading portfolio, and only back to back trades are allowed. Furthermore, the company is based on experience and a big network and thereby long-term relations, which is not compatible with low return.
- LCFM must secure best execution to all clients in relation to the order execution policy.
- Issuing CFD's can only happen where LCFM can cover the market risk of the underlying active and cannot be done against the trading portfolio or asset management clients.

## **Chapter 4 Information on conflicts of interest**

If the written measures are not sufficient to avoid or manage conflicts of interest in relation to a client, LCFM will inform the client on the conflict of interest before further business activities can be done with the client.