

**HF Markets**

HF Markets (UK) Ltd

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**HF Markets (UK) Ltd**

**CONFLICTS OF INTEREST POLICY**

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## 1. Introduction

- 1.1. HF Markets (UK) Ltd (hereinafter referred to as the ‘**Company**’), is incorporated under the Companies Act 2006 of UK and is registered under the Companies House with registration number 11118651. The Company is authorised and regulated by the Financial Conduct Authority (“**FCA**”), with Firm Reference No. 801701.
- 1.2. The Company in its capacity as a FCA licensed company and in accordance with the relevant Law and regulations is required to take all appropriate steps to detect and avoid conflicts of interest, as well as to disclose to the Prospective Client or the Client the existence of any personal interest in any service provided.
- 1.3. The purpose of the Conflicts of Interest Policy (hereinafter the “Policy”) is to set out the Company’s approach in identifying the circumstances which may give rise to a conflict of interest, the Company’s measures for preventing the rise of such conflicts of interest as well as managing conflicts of interest which may arise during the course of its normal business activities.
- 1.4. 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 applicable legislation when providing investment services and other ancillary services related to such investment services.

## 2. Definition

- 2.1. The term ‘conflict of interest’ is used to describe a situation which has the potential to undermine the impartiality of a person because of the possibility of a clash between the person’s self-interest and professional interest i.e. the Company obtaining a financial or any other kind of benefit from the Client during the provision of investment services to the Client.

## 3. Scope

- 3.1. The Company takes all appropriate steps to identify and to prevent or manage conflicts of

interest between:

- a. the Company, including its managers, employees and appointed representatives (or where applicable, tied agents), or any person directly or indirectly linked to them by control, and a client of the Company; or
  - b. one client of the Company and another client;
- 3.2. that arise or may arise in the course of the Company providing the service.

#### **4. Relevant Persons Duty**

- 4.1. All “Relevant Persons” have a duty, to the extent possible, to avoid any activities that could create conflicts of interest. It is imperative to firstly refrain from creating or contributing to the creation of conflicts of interest and where such exist to take all necessary measures for minimizing the impact to Client’s best interest as per section “Management of Conflicts of Interest”.
- 4.2. All “Relevant Persons” when faced with a possible conflict of interest situation, shall immediately notify the Compliance Officer of the conflict of interest situation.
- 4.3. It is of most importance that the members of Board of Directors have a duty to avoid to the extent possible activities that could potentially create conflicts of interest. For that purpose, the following actions are in place in order to minimize the possibility of creating conflicts of interest:
  - a. A member’s duty to notify BoD prior the involvement to an activity e.g. serving on another management body that could raise contribute to conflict of interest;
  - b. A member’s duty to promptly disclose any matter that may result, or has already resulted, in a conflict of interest;
  - c. A member’s duty to abstain from voting on any other matter where the member may have a conflict of interest or where the member’s objectively or ability to properly fulfil duties to the directorship may be otherwise compromised.

## 5. Types of conflicts

- 5.1. For the purposes of identifying the types of conflict of interest that arise, or may arise, in the course of providing a service and whose existence may damage the interests of a client, the Company takes into account, as a minimum, whether the Company or a relevant person, or a person directly or indirectly linked by control to the Company:
- a. Is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
  - b. Has an interest in the outcome of the service provided to the client, or a transaction carried out for, a client which differs from the client's interest;
  - c. Has a financial or other incentive to favour the interest of another client (or group of clients) over the interests of the client;
  - d. Carries on the same or similar business as the client; and/or
  - e. Receives an inducement from a third party in the execution of the service provided to the client, other than the standard commission/fee for that service.
- 5.2. The circumstances giving rise to a conflict of interest cover cases where there is a conflict between the interests of the Company or certain persons connected to the Company and the duty the Company owes to a client; or between the differing interests of two or more of its clients, to whom the Company owes in each case a duty. It is not enough that the Company may gain a benefit if there is not also a possible disadvantage to a client, or that one client to whom the Company owes a duty may make a gain or avoid a loss without there being a concomitant possible loss to another such client.

## 6. Identification of Potential Conflicts of Interest

- 6.1. For the purposes of identifying the types of conflicts of interest that arise in the course of providing investment and ancillary services or a combination thereof and whose existence may damage the interests of a Client, the Company takes into consideration, by way of minimum criteria, the following criteria:
- a. When the Company accepts Client order in Contracts for Difference ("CFD"), the

Company will be dealing in the CFD concerned as principal for the Company's account;

- b. The Company may be matching the Client's Order with that of another Client by acting on such other Client's behalf as well as on the Client's behalf;
- c. The Company and/or any Related person of the Company is likely to make a financial gain, or avoid financial loss, at the expense of the Client;
- d. The Company and/or any Related person of the Company has an interest in the outcome of a service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client's interest in that outcome;
- e. The Company and/or any Related person of 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;
- f. The Company or a Related person carries on the same business as the Client;
- g. The Company or a Related person 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 monies, goods or services, other than the standard commission or fee for that service;
- h. The Company and/or any Related person of the Company has a financial or other incentive in manufacturing and/or distributing a financial instrument to the Client, that adversely affect the Client.

## **7. Potential Conflicts of Interest within a group of Companies**

- 7.1. The Company as a member of HF Markets Group must take into consideration any circumstance which might give rise to a conflict of interest as a result of the structure and business activities of any other members within the Group.
- 7.2. The Company shall identify, with reference to the specific investment services and activities and/or any ancillary services carried out by or on behalf of the Company, any

circumstances which constitute or give rise to a conflict of interest entailing a material risk of damaging the interests of one or more Clients.

- 7.3. The Company has adopted procedures and measures set out in section 10. of the Policy, in order to manage conflicts of interest and ensure that Relevant Persons which are engaged with the provision of investment or ancillary services or activities, carry on those activities on a level of independence appropriate to the size and activities of the Company and of the Group.

## **8. Examples of Conflicts of Interest**

- 8.1. 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 and/or ancillary services:
- a. Where the Company executes orders based on quotes (bid and ask prices) provided by the Company;
  - b. Where the prices are determined without reference to a relevant benchmark or market;
  - c. The Company may be matching the Client's Order with that of another Client by acting on such other Client's behalf as well as on the Client's behalf;
  - d. The Company may receive or pay inducements to or from third parties due to the referral of new Clients or Clients' trading;
  - e. The Company may use entities which are members of its group as counterparties to certain transactions;
  - f. Where the Company manufactures and/or distributes financial instruments that could adversely affect Clients' best interest;
  - g. Where the Company is the portfolio manager for more than one Client – in particular

in respect of issues related to allocation;

- h. Where the Company is the portfolio manager on behalf of a client and is trading against the Company's own capital;
- i. Where the Company provides investment advice for more than one Client – in particular in respect of issues related to allocation;
- j. Where the Company provides investment advice to Company's clients who are trading against the Company's own capital;
- k. The Company may produce investment research material which shall be used to support the clients' trading activities who will be trading against the Company's own capital;
- l. Where the remuneration of third parties (tied agents or affiliates) is based on the trading activity of clients referred to the Company, which may incentivize prohibited marketing tactics and the use of misleading information.

8.2. For the purposes of identifying the types of conflict of interest that could arise in the course of serving as a member of the management body, the following list of examples has been considered however the list is non-exhaustive:

- a. Where the management team does not follow the established procedures, which have taken into consideration all necessary measures for avoiding, reducing or managing conflicts of interest;
- b. During the amendment of established procedures, measures safeguarding the avoidance, reduction and management of conflicts of interest are amended in a way that it reduces or cancels their effectiveness;
- c. During the restructuring of the Company or the creation of new job positions, where important aspects relating to conflicts of interest have not been considered adequately;
- d. During the assessment of the effectiveness of the policies, arrangements and

procedures put in place to comply with the obligations under the Law;

- e. During the supervision and accountability for implementation of governance arrangements that ensure effective and prudent management;
- f. During the approval of manufactured or intended for distribution of financial instruments.

## **9. Disclosure of information**

- 9.1. The Company gives priority in identifying, preventing and managing conflicts of interests. Various processes and mechanisms have been established as per section 10 below for responding to potential conflicts and are updated whenever developments are taking place within the Company's operations or by responding to legislative updates.
- 9.2. Where a conflict of interest or a potential conflict of interest exists and the organisational and administrative arrangements are not sufficient to ensure, with reasonable confidence, that conflicts of interest will be prevented or managed effectively the Company shall disclose such conflicts of interest to the Client in writing in sufficient detail the general nature and/or source of the potential or the actual conflict of interest and the steps taken to mitigate those risks, before undertaking business on his behalf.
- 9.3. Upon receiving the information, the Client based on the information has the right to decide whether or not to accept the provision of a specific service.
- 9.4. Where the Company is for any reason incapable of preventing or managing a possible conflict of interest it may choose to refuse to continue with the provision of the requested service from the Client.

## **10. Management of Conflicts of Interest**

- 10.1. The Company has established adequate and appropriate internal procedures for minimizing any potential conflicts of interest which include the following:
  - a. the Company maintains a Compliance Department which is an independent unit within the Company. Some of the duties of the Compliance Officer is to monitor any

- possible deviation from the Company's internal policies and procedures as well as identifying and managing any possible conflicts of interest and report to the Company's Board of Directors;
- b. appointment of Internal Auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors;
  - c. effective procedures to prevent or control the exchange of information between Relevant Persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more Clients;
  - d. procedures governing access to electronic data;
  - e. 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;
  - f. removal of any direct link between the remuneration of Relevant Persons principally engaged in 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;
  - g. separate supervision on an on-going basis of the activities of third parties which perform services on behalf of the Company to ensure that such activities are performed in compliance with the applicable Law and regulations;
  - h. risk-adjusted method of calculation of variable remuneration received by third parties which perform activities on behalf of the Company;
  - i. 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;
  - j. personal account dealing requirements applicable to Relevant Persons in relation to their own investments;

- k. measures to prevent or limit any person from exercising inappropriate influence over the way in which a Related person carries out investment or ancillary services or activities
- l. measures to prevent or control the simultaneous or sequential involvement of any Related person in separate investment or ancillary services or activities where such involvement may impair the proper management of the conflicts of interest;
- m. segregation of duties that may give rise to conflicts of interest if carried out by the same individual;
- n. establishment of Chinese Walls restricting the flow of confidential and inside information within the Company, and physical separation of departments;
- o. the Company ensures that marketing communication is reviewed and approved by the Compliance Officer prior to distribution to the Client. The Compliance Officer also ensures that such communication meets the relevant definition of marketing communication as well as having the appropriate disclosure statement;
- p. establishment of the “four-eyes” principle in supervising the Company’s activities;
- q. establishment, implementation and maintenance of policies and procedures to monitor the effectiveness of the Company’s Order Execution Policy and any other execution arrangements (more details of the Company’s Order Execution Policy can be found on the Company’s website under section ‘Legal Documentation’);
- r. procedures for taking all reasonable steps to obtain the best possible results when executing Client Orders;
- s. Establishment of proper product governance arrangements where possible conflict of interest situations will be identified and resolved prior the distribution of any product and services to Clients.

## **11. Final Resolution of Conflicts**

11.1. Where Conflicts of Interest exist and the established internal procedures for minimizing

any potential conflicts of interest are not adequate to manage the conflict to an acceptable level then the Head of the Compliance Department will take the final decision for its resolution.

## **12. Inducements**

- 12.1. The Company may pay and/or receive fees and/or commissions and/or any non-monetary benefits to and/or from third-parties. The Company ensures that it will only accept and/or pay such fees and/or commissions and/or any non-monetary benefits to and/or from any third parties at its own reasonable belief that such benefits will enhance the quality of the offered services to the Client. The Company ensures that such fees and/or commissions and/or non-monetary benefit do not impair the Company's duty to act in the best interests of the Client.
- 12.2. Where the Company has in place arrangements with third parties for distributing their products and services to its Clients and which receive fees and/or commission and/or non-monetary benefits according to the product's overall performance these arrangements will not be in the expense of the best interest of the Client.
- 12.3. The Company undertakes to disclose any further details of the above-mentioned arrangements relating to the fees and/or commissions and/or non-monetary benefits at the request of the Client.
- 12.4. Where the Company has in place arrangements with third parties for performing activities on behalf of the Company and which receive fees and/or commission and/or non-monetary benefits which are subject to mark-up or mark-down on the available trading prices, the Company shall obtain the Client's prior acknowledgement and acceptance.

## **13. Staff Remuneration**

- 13.1. Determination of appropriate remuneration of staff members is conducted wholly by the Company's senior management. Only remuneration for senior staff is determined upon the overall business production of the Company.

13.2. All other staff members receive remuneration (either fixed or variable) which is determined by the nature and performance of their duties. The Company has established methods of calculating the variable remuneration received by a portion of the staff members of the Company, which are risk-adjusted and are designed to ensure that staff members act in the best interests of the Clients.

#### **14. Client's Consent**

14.1. The Client acknowledges and understands that the Company has the right to determine the most appropriate and fit way to manage situations of conflicts of interest in accordance with the best interests of the Client, the nature and risks involved with a specific investment service as well as maintain the Company's business production.

#### **15. Record Keeping**

15.1. The Company keeps and regularly updates a written record of the kinds of ancillary services or activities 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.

#### **16. Amendment / Review**

16.1. The Company has the right to amend the current Policy at its discretion at any time it considers is suitable and appropriate. The Company shall review the current Policy at least on an annual basis.

#### **17. Further Information**

17.1. For further details with regards to the Company's Conflicts of Interest Policy and procedures, the Client can contact the Support Department (support@hfmarkets.co.uk) and request for such documentation.

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