



## **Liquidnet Europe Limited (“Liquidnet”) Arrangements for Managing Conflicts of Interest and Policy on Inducements**

### **CONFLICTS OF INTEREST**

#### **1.1 GENERAL PROVISIONS**

Liquidnet will ensure that all conflicts of interest are adequately identified, prevented, managed and disclosed. Liquidnet will take all reasonable steps to identify conflicts of interest between:

- the firm, including its directors, approved persons and employees, or any person directly linked to them by control, and a Liquidnet Member or trading desk client (Members and trading desk clients are referred to as “clients”); or
- one Liquidnet client and another Liquidnet client other than a conflict that consists solely of the respective clients being the counterparties to a single transaction and, in the case of negotiated transactions, having negotiated between themselves the terms of such transaction, except in the circumstances described in section 1.2 below.

For the purposes of identifying the types of conflict that arise, or may arise, in the course of providing a service to a client and whose existence may entail a material risk of damage to the interests of a client, Liquidnet will take into account whether the firm or its directors, approved persons or employees:

- is likely to make a financial gain, or avoid a financial loss, at the expense of a Liquidnet client;
- 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;
- has a financial interest or other incentive to favour the interest of another Liquidnet client or group of clients over the interests of the client;
- carries on the same business as the client; or
- 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 fee or commission for that service.

Liquidnet will keep and regularly update a record of the kinds of service or activity carried out by or on behalf of the firm in which 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.

In identifying 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, it is important to note for the purposes of the firm's policy that Liquidnet and its affiliates do not engage in the activities of investment advice, proprietary trading, portfolio management and corporate finance business, including underwriting or advising on mergers and acquisitions.

Where conflicts are identified, the Managing Director Europe will determine how the conflict will be prevented or managed. If procedures are deemed by the Managing Director Europe to be not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, Liquidnet will disclose the general nature and/or sources of conflicts of interest to the client before undertaking business for the client.

#### 1.2 SPECIFIC DISCLOSURE – MEMBER TRADES WITH THEIR AFFILIATES

One area identified by Liquidnet as a potential conflict of interest with clients is on those occasions upon which a client executes a trade with one of its affiliates that is also a member of Liquidnet or one of Liquidnet's affiliates. Due to the anonymity of the negotiation and execution process on Liquidnet, the client may not be aware that such a trade has occurred until after its execution and at or after the time of settlement of the transaction. This poses a potential conflict of interest between Liquidnet and the client should the client not wish to incur the transactional cost of executing a trade with its own affiliate through Liquidnet.

Existing clients of Liquidnet have been notified in writing of this potential conflict and have been notified that, in the event that the client wishes to restrict its trades executed through Liquidnet to not permit the execution of trades with the client's affiliated firm or entity, the client should provide its request to Liquidnet in writing together with a list of the affiliated firms or entities which are also member firms with Liquidnet or its affiliates. New client subscribers with Liquidnet will be given the opportunity to make this request during the establishment and set-up of services for the client.

#### 1.3 MEMBERS AND TRADING DESK CLIENTS

To avoid potential conflicts between members and trading desk clients, the Liquidnet system is designed to provide equal priority in execution between members and trading desk clients. In accordance with the Liquidnet trading rules, Supernatural orders created by or on behalf of members and trading desk clients receive the same level of priority.

### 2. PERSONAL CONFLICTS

A particular activity or situation may be found to involve a conflict of interest even though it does not result in any financial loss to Liquidnet or clients of Liquidnet, irrespective of the motivations of the employee or consultant involved.

The following sections set out examples of areas in which a Liquidnet employee could encounter a conflict of interest and details of Liquidnet's policies in relation to each.

## 2.1 OUTSIDE BUSINESS INTERESTS

Employees should avoid other employment or business activities, including personal investments that interfere with their duties to Liquidnet, divide their loyalty, or create or appear to create a conflict of interest. Each employee has an obligation to report promptly any situation or transaction involving an actual or potential conflict of interest to the Compliance Officer. The Compliance Officer's determination as to whether a conflict exists or is harmful shall be conclusive. Any conflict that the Compliance Officer determines is harmful to the interests or reputation of Liquidnet will be terminated. Liquidnet requires an annual attestation to be completed by each employee confirming their adherence to this policy.

## 2.2 INTERESTS IN COMPETITORS, MEMBERS OR SUPPLIERS

Except with the prior written approval of the Managing Director Europe or Compliance Officer no employee or member of his or her immediate family shall serve as an employee, officer, director, or trustee of, or have any substantial interest in or business relationship with, a competitor, member, or supplier of Liquidnet that could create a divided loyalty or the appearance of one. Immediate family members means (a) any spouse, children, parents or siblings or (b) any relative to whose support the employee contributes either directly or indirectly and who shares the employees household.

## 2.3 RECEIPT OF GIFTS, ENTERTAINMENT, LOANS ETC

No employee or member of his/her immediate family shall solicit or accept from any outside concern that does business or competes with Liquidnet any compensation, gift of cash (or equivalent), significant gift, loan, lavish entertainment, or any other substantial favour for his or her personal benefit. This section shall not prohibit employees or members of their immediate families from obtaining services on terms that are available generally to the public.

Upon receipt of a gift or entertainment (including, but not limited to, meals, sports events, and concert and theatre events) from a third party, all employees must complete, sign and return to the Compliance Department a disclosure form.

The Compliance Office will, in his or her discretion, determine whether a gift can or should be:

- kept by the employee;
- shared with the employees of Liquidnet;
- donated to a charity or raffled off; or
- returned to the donor.

Non-cash gifts below £250 are not subject to this policy; however, a series of related gifts must be aggregated in determining whether the gift is below the £250 threshold.

## 2.4 INTERESTS IN TRANSACTIONS

No employee or a member of his immediate family shall engage in any transaction involving Liquidnet if the employee or member of his immediate family has a substantial interest in the transaction or can benefit directly or indirectly from the transaction (other than through the

employee's normal compensation), except as specifically authorised in writing by the Compliance Officer.

No employee shall acquire or derive personal gain or profit from any business opportunity or investment that comes to his or her attention as a result of his or her association with Liquidnet and in which he or she knows Liquidnet might reasonably be expected to participate or have an interest, without first disclosing in writing all relevant facts to Liquidnet, offering the opportunity to Liquidnet and receiving specific written authorisation from the Compliance Officer. All directors and staff are required to notify the Compliance Officer of any outside business interests.

## 2.5 SPONSORSHIP

All sponsorships, charitable or otherwise need the approval of the LNEL Board. The Compliance Officer will monitor all such events to evaluate whether the event raises a potential conflict of interest for LNEL. A record of such sponsorships will be maintained.

This policy is in no way meant to limit or restrict charitable giving or event sponsorship but ensures no conflicts arise.

## INDUCEMENTS

### 1.1 GENERAL PROVISIONS

Liquidnet and its employees and directors will not pay, provide, accept or receive any inducement to or from a client or third-party in relation to the investment services provided by Liquidnet to clients. Liquidnet and its employees and directors may provide non-monetary benefits to clients, including small gifts and minor hospitality, only in accordance with this policy on Inducements and the Liquidnet Holdings Inc. Code of Business Conduct and Ethics. Liquidnet employees and directors may receive from clients and third parties small gifts and minor hospitality only in accordance with the firm's Conflicts of Interest policies above and the Liquidnet Holdings Inc. Code of Business Conduct and Ethics.

## 2 NON-MONETARY BENEFITS

### 2.1 COMMISSION SHARING ARRANGEMENTS

Liquidnet provides clients with the opportunity to enter into agreements with Liquidnet whereby Liquidnet will share the commission paid to it by a client with a third-party service provider to the client, as directed by that client ("the commission sharing arrangements" or "arrangements"). Pursuant to the agreements entered into under the commission sharing arrangements, clients of Liquidnet agree that the use of commissions under the arrangements must comply with the FCA's Conduct of Business Sourcebook or any replacement thereof (in particular COBS 11.6.3 on the use of dealing commission to purchase goods or services and guidance under COBS 11.6.6G – 11.6.11G on the examples of goods and services that meet the requirements of the rules).

Liquidnet will not make payments under the commission sharing arrangements should Liquidnet or any employee or director responsible for making such payments have any reason to believe that the payment does not comply with the applicable FCA rules or any other

applicable law, regulation or rule. This would be the case, for example, if an employee or director has reason to believe that a client has directed Liquidnet to pay commission to a person or firm that has not supplied goods or services to the client relating to the execution of trades or the provision of research which comply with the rules. Any employee or director having such a belief shall immediately bring the matter to the attention of the Managing Director Europe or the Compliance Officer.

## 2.1 ENTERTAINMENT AND HOSPITALITY

Employees or officers may provide gifts or hospitality, including meals and entertainment, to Liquidnet clients or third parties in connection with Liquidnet business, if such hospitality and entertainment are customary and commonly accepted business courtesies; in good taste and not excessive in value; not contrary to the client's or third party's own conflicts of interest and inducement policies; and given and accepted without an express or implied understanding that the client or third party is in any way obligated to Liquidnet by the acceptance of the gift by the client or its employees.

A gift shall not exceed the amount of £100 and entertainment shall not exceed the amount of £250 unless prior approval for a gift or entertainment in excess of these thresholds is provided by the Managing Director Europe. A series of related gifts or entertainment must be aggregated in determining whether the gift is below the £100 and £250 thresholds.

For all gifts and entertainment provided to client firms (including but not limited to, meals, sports events, and concert and theatre events), employees and directors must document the events and obtain appropriate approval. Such approval can be provided using the disclosure form or evidence the expenditure on Concur, the internal electronic expense approval system, ensuring that full details of the gift or entertainment is provided.