

# WGM SERVICES LTD

Authorization No: 203/13

## Conflicts of Interest Policy

*September  
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## INTRODUCTION

- 1.1 WGM Services Ltd (hereinafter referred to as 'WGM', the 'Company' or the 'Firm') is incorporated (Certificate of Incorporation No.HE256991) in the Republic of Cyprus. Our registered office is at 11 Vizantiou, 4<sup>th</sup> floor, Office 401, 2064, Nicosia, Cyprus and we are authorized and regulated by the Cyprus Securities & Exchange Commission with authorization number 203/13. You can check this on the CySEC register by visiting the CySEC's website <https://www.cysec.gov.cy/en-GB/entities/investment-firms/cypriot/37571/> or by contacting the Cyprus Securities & Exchange Commission at 27 Diagorou Str. CY-1097 Nicosia, Telephone:+357 22506600, Fax:+357 22506700
- 1.2 Following the implementation of the Markets in Financial Instruments Directive (MiFID) the Company is required to provide its clients and potential clients with a summary of its Conflicts of Interest Policy (hereinafter the "Policy").
- 1.3 Under the above legislation, the Company is required to take all reasonable steps to detect and avoid conflicts of interest between:
- (1) The firm, including its managers, employee, appointed representatives (or where applicable tied agents), or any person directly or indirectly linked to them by control, and a client of the firm; or
  - (2) One client of the firm and another client.
- 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 above legislation when providing investment services and other ancillary services related to such services.
- 1.4 We provide here a summary of the policy we maintain in order to manage conflicts of interest in respect of the duties we owe to our clients. The Policy is effective from 1<sup>st</sup> January 2014.
- 1.5 This Policy is not intended to, and does not, create third party rights or duties that would not already exist if the Policy had not been made available, nor does it form part of any contract between the Company and any client.

## SCOPE OF THE POLICY

- 2.1 The Policy is provided to you in accordance with MiFID on the basis that you are proposing to trade with WGM in contracts for difference ('CFDs') which are leveraged products, incur a high level of risk and can result in the loss of all your invested capital.
- 2.2 The purpose this document is to set out the Company's approach to identifying and managing conflicts of interest which may arise during the course of its business activities. The Policy applies to all its directors, employees, any persons directly or indirectly linked to the Company



(Hereinafter called “related persons”) and refers to all interactions with all clients.

- 2.3 The aim of our Policy is to identify and prevent conflicts of interest which may arise between the Company and its clients or between one client and another. Accordingly, we have adopted a conflicts of interest policy setting out the procedures, practices and controls in place to achieve this.

#### **IDENTIFICATION OF CONFLICTS OF INTEREST**

- 3.1 For the purposes of identifying the types of conflict 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 account, whether the Company or a relevant person or a person directly or indirectly linked by control to the firm, is in any of the following situations, whether as a result of providing investment or ancillary services or investment activities or otherwise:
- a) The Company or relevant person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
  - b) The Company or relevant person 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;
  - c) The Company or relevant person has a financial or other incentive to favor the interest of another client or group of clients over the interests of the client;
  - d) The Company or relevant person carries on the same business as the client;
  - e) The Company or relevant 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.

#### **MANAGING CONFLICTS OF INTEREST**

- 4.1 The Company has set up internal policies and has an in-house Compliance Department that are responsible for identifying and managing potential conflicts of interests. The above will also update the relevant internal procedures and ensure compliance with such procedures.
- 4.2 The Company maintains and operates effective organizational and administrative procedures to manage and prevent the identified conflicts of interest from constituting or giving rise to a material risk of damage to the interests of its clients. The Company also undertakes ongoing monitoring of business activities to ensure that internal controls are appropriate.
- 4.3 The measures adopted are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest carry on those activities at a level of independence appropriate to the size and activities of the firm and its Group, and to the materiality of the risk of damage to the interests of the client.

In general, the procedures and controls that the Company follows regarding conflicts of interest include the following measures to ensure the requisite degree of independence:

- a) 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;
- b) The 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;
- c) The 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;
- d) Measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;
- e) Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

4.4 Some of these policies and procedures established to prevent Conflicts of Interests are shown below:

- A 'need to know' policy governing the dissemination of confidential or inside information within the Group
- Chinese walls restricting the flow of confidential and inside information within our company, and physical separation of departments
- Procedures governing access to electronic data
- Segregation of duties that may give rise to conflicts of interest if carried on by the same individual
- Personal account dealing requirements applicable to relevant persons in relation to their own investments
- A gifts and inducements log registering the solicitation, offer or receipt of certain benefits
- The prohibition of external business interests conflicting with our interests as far as the Group's officers and employees are concerned, unless board approval is provided
- A policy designed to limit the conflict of interest arising from the giving and receiving of inducements Establishment of in-house Compliance Department to monitor and report on the above to the Company's Board of Directors
- Appointment of Internal auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors
- Establishment of the four-eyes principle in supervising the Company's activities

## **DISCLOSURE**

5.1 Where arrangements made by the firm are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented, the Company will, if it is aware of it, disclose the general nature and/or sources of conflicts of interest to a client prior to undertaking investment business for that client. The disclosure will be made by way of a written notice and will include sufficient detail to enable the client to take an informed decision with respect to the service in the context of which the conflict of interest



arises. Details of potential conflicts of interest identified by the Firm are contained in the Annex to this Policy, which may be amended from time to time.

If the firm does not believe that disclosure is appropriate to manage the conflict, we may choose not to proceed with the transaction or matter giving rise to the conflict.

- 5.2 The Company reserves the right to review and/or amend its Policy and arrangements whenever it deems this appropriate. Further information about the Policy is available upon request.

**ANNEX I**

*\*Note that the below are only indicative areas of potential conflicts of interest.*

<b>Circumstances of potential conflicts of Interest*</b>	<b>Our approach to managing these (indicative actions)</b>
<p>When a client enters into any order to Buy or Sell a CFD on our trading platforms, the client trades with us as his/her counterparty. We are the Principal to each trade that the client enters.</p> <p>This means that:</p> <ul style="list-style-type: none"> <li>• The client may only close each position he trades with us.</li> <li>• The client’s positions are not transferable to any other regulated investment firm. This is a major difference to when clients trade for example in Shares. In such cases, clients can move their holding in Shares to be traded through another investment firm – broker. In CFDs, clients can only trade / close their position with the investment firm – broker they initially opened their position with.</li> <li>• If clients make profits on their trading, we lose. If the clients register losses on their trading, this means we profit.</li> </ul>	<ul style="list-style-type: none"> <li>• We have introduced an Order Execution Policy that sets out our obligations in delivering Best Execution to our clients.</li> <li>• Best Execution is the process by which WGM seeks to obtain the best possible result when executing client orders.</li> <li>• Generally, Best Execution is determined on the basis of the total consideration paid to or by the client, unless the objective of execution of the order dictates otherwise.</li> <li>• Prices quoted for CFDs are based on the published prices of underlying instruments on the regulated exchanges where such instruments are regularly traded or, with respect to Foreign Exchange, based on the aggregation of prices received from global investment banks and other liquidity providers</li> <li>• Commencing 2017, we regularly advise the Cyprus Securities and Exchange Commission as our home regulatory authority of the number of winning and losing clients.</li> <li>• We disclose our Spreads and charges on our trading platform Stockstp.net</li> <li>• Our marketing communication is developed on the basis of being fair, clear and not misleading to clients and is issued following approval by the Compliance department.</li> </ul>
<p>The settings of the trading platform may be at non symmetrical parameters. A key area relates to trading slippage. Slippage refers to the difference a client expects to pay for a trade and the actual price at which the trade is executed. Slippage occurs because there is a slight time delay between the client entering the trade and the time the broker receives the order. During this time delay, the price may have changed. Slippage can be much higher in fast-moving, volatile markets. It can either work in favor of or against the client. Conflicts may arise if the application of slippage parameters is not symmetrical. That is the broker enables a higher negative slippage for the client whilst limiting the client’s potential profit in positive slippage.</p>	<ul style="list-style-type: none"> <li>• All trading platform parameters are symmetrical.</li> <li>• With Market Execution, we apply a Slippage</li> <li>• Limitation for each instrument on Stockstp.net Web/Mobile Trader.</li> <li>• A Slippage Limitation is an event, determined as a percentage of the underlying instrument’s spread, under which the Market order will be rejected.</li> <li>• If the difference of the price that a client requests and the current market price is within the Slippage Limitation, the client will always receive the market price. If the difference is more than the Slippage Limitation, the client order will be rejected.</li> <li>• Slippage Limitations, under our culture and policy of Treating Customers Fairly, always apply symmetrically.</li> </ul>



<p>WGM Services Ltd, Its employees, 3<sup>rd</sup> parties acting on behalf of or on the basis of specific agreements with WGM (such as introducers, websites and social media) may have an interest in maximizing trading volumes in order to increase dealing revenues or their variable remuneration pay. This may be inconsistent with the need for clients to trade prudently or for minimizing clients' transaction costs. WGM employees may also receive bonuses or other form of variable pay that links to the trading performance of clients.</p>	<ul style="list-style-type: none"> <li>• Employees who receive any form of variable pay (including performance related pay) are subject to vesting periods with claw back provisions.</li> <li>• Incidents of conflicts of interest or any other compliance breach lead to suspension of unvested rights and / or clawback of any awards and / or termination of employment.</li> <li>• Awards are structured so as to have regard to long term client satisfaction as opposed to short term Company gains, recognizing that our long term success is premised on maintaining satisfied clients over the long term.</li> <li>• We do not engage with third party introducers which operate call centers.</li> <li>• Any websites, affiliates or other online introducers do not have any role in our assessment of the clients' knowledge and experience for onboarding purposes, such decision to onboard being at the entire discretion of WGM.</li> <li>• Local registrations with regulatory authorities have to be adhered to by affiliates where appropriate.</li> </ul>
<p>Where investment research or market information is provided this does not take account of the circumstances and investment objectives of individual clients. WGM or legal and natural persons affiliated with it may have a position or trade in financial instruments that may be covered by such investment research.</p>	<ul style="list-style-type: none"> <li>• We do not offer any form of investment advice and our disclaimers make this fact explicitly clear.</li> <li>• Market research is performed on behalf of WGM by 3<sup>rd</sup> parties who are segregated from our Dealing, Sales and Retention employees.</li> <li>• We remunerate such 3<sup>rd</sup> parties on the basis of fixed fee arrangements which are not related to the trading generated from our clients.</li> <li>• Other than being a Principal to clients' trading or hedging for the market risk emanating for this trading, neither WGM or its holding company or affiliates trade in any form of financial instrument for the purpose of short term financial gains.</li> </ul>
<p>Employees or business associates may have a personal holding in a security of a company and where such employees or business associates are involved in executing clients' orders, and – in breach of internal policy – encourage or push the client to trade in such a security.</p>	<ul style="list-style-type: none"> <li>• Our Code of Conduct states clearly that we do not engage in investment advice and stipulate the consequences for any breach of this requirement.</li> <li>• We monitor client communications to ensure that our staff do not engage in any form of investment advice.</li> <li>• All employees are bound by our Personal Account Trading Policy as in force and effect from time to time.</li> <li>• Other indicative points as set out in the Code of Conduct extracts of which are set out above.</li> </ul>