

### Introduction

This summary document is intended to provide clients and other relevant external parties with an overview of Avalon Capital Partners Limited's ("Avalon") approach to identifying, managing and avoiding potential Conflicts of Interest, Inducements, Bribery and Corruption.

### Purpose and Summary of Policy

The Board and Senior Management recognise the importance of ensuring that Avalon complies with both the spirit as well as the letter of the relevant laws and regulations. A violation of these requirements will damage both the reputation and viability of the business, as well as potentially exposing both Avalon and relevant individuals to prosecution.

This Conflicts of Interest Policy ("Policy") is designed to ensure that Avalon, (including any associated entities), manages conflicts of interest fairly, both between itself and its clients and between clients. This framework is operated in accordance with the FCA's Principles, regulations and the applicable laws ("regulations"). The objectives of the Policy, as set out in this document, are to both serve the best interests of Avalon's clients, as well as meet the requirements of the regulations. To meet this objective and its obligations the Avalon Board has established a framework to identify, control and review conflicts of interest.

This Policy serves as an explanatory guide as to how Avalon actively manages and deals with conflicts in the course of day-to-day business. The Policy may not cover all eventualities and all circumstances that may be encountered. The Policy is designed to be fully self-explanatory however where circumstances are not covered by this guidance, seek input from the Compliance department.

When considering the identification of conflicts of interest it is important to realise that there is a broad spectrum and is rarely categorically or clearly defined.

### Clients and counterparties

Avalon transacts business only with clients that are classified under the FCA's criteria as:

- Eligible Counterparties
- Professional Clients

### What is a Conflict of Interest?

A conflict of interest arises in a situation where a person with responsibility to act in the interests of one person may be influenced in his action by an interest or association of his own, whether personal or business or employment related. Even if there is no evidence of improper action, a conflict of interest can create an appearance of impropriety that can undermine confidence in the ability of that person to act properly in his position. Conflicts of interest may arise in many forms in a financial group such as Avalon. In particular a conflict of interest may arise when Avalon is in a position of trust which requires it to provide a service or to exercise judgment on behalf of clients and Avalon, its related entities, counterparties and/or other clients who also have interests or obligations that might influence/interfere with the appropriate provision of that service or the exercise of judgment.

A responsible approach to identifying, preventing and managing conflicts of interest, and mitigating the risk of potential damage to our clients forms an important element in protecting and enhancing Avalon's reputation.

### Conflicts Policy and Underlying Policies & Processes

#### Conflict Identification

The Firm is continually identifying potential and actual conflicts of interest which constitute or may give rise to a material risk of damage to the interests of one or more clients. These conflicts are actively managed in a responsible way due to the duty owed towards clients (and regulators). The details of specific conflicts managed by Avalon are included in this Policy Statement:

#### Confidentiality

Naturally, the Firm will hold confidential information on clients and its own business matters. Avalon operates policies and procedures to segregate relevant functions / roles, in order to avoid and manage situations arising that may result in a potential for conflicts of interest. In addition there are strict security measures in place to ensure the security of physical confidential information.

### Outside Interests – Corporate

Due to the Firm's structure some individuals in senior positions also hold senior positions at other companies connected to the Firm or which operate in the same sector. These individuals are aware this could lead to conflicts that could, ultimately, affect the service given to clients. All individuals conflicted in this manner will take all necessary steps to manage, avoid or minimise any conflict which may arise.

### Outside Interests – Personal

External personal interests of Avalon Individuals are subject to a review process by Compliance following notification to ensure the external interest would not influence the individual's actions in relation to their role. External interests are, but not limited to, PA Dealing and external directorships/remuneration.

The PA Dealing policy imposes certain restrictions and reporting requirements in relation to PA Dealings. The PA Dealing Policy is designed to prevent the personal outside interests of a Avalon Individual or their associated persons (as defined in the Personal Account Dealing Policy e.g. their family) and/or access to potential price sensitive information, influencing or distracting them from the investment services provided.

Avalon Individuals and/or their associated persons may hold or wish to hold external directorships or engage in outside employment. Individuals are permitted to do this but are subject to notification requirements. This is to ensure that if the directorship involves a corporate entity whose activities may result in a conflict of interest arising (e.g. as a client or competitor to Avalon), such a conflict can be managed or avoided. Compliance maintains such information on the Conflicts Log.

### Gifts, Entertainment, Inducements and Bribes

The differentiation between Gifts & Entertainment, Inducements and Bribes may be considered as a broad spectrum and is never categorically or clearly defined. A bribe is generally considered to be an extreme version of an inducement, normally resulting in a definitive course of improper action.

The categorisation of an action will depend upon the circumstances of each case and is often best determined by common sense, considering the intended outcome, whether it is reasonable and proportionate. Avalon, through its Gifts & Entertainment Policy permits reasonable Gifts and entertaining, but prohibits inappropriate inducements and any acts that may be considered to be bribery under the UK Bribery Act. The Policy applies to all Avalon Individuals in relation to any benefit or consideration (whether in monetary form or not) that is intended to place an undue obligation on the recipient or to influence them to act inappropriately (improper performance). It is an accepted market practice that the Firm provides reasonable gifts and entertainment as part of client relationships.

Avalon is subject to the requirements under the UK Bribery Act and has a policy that it will neither give nor receive bribes, as defined under the Act. Avalon's Policy and related procedures form part of the systems and controls required to prevent the occurrence of bribery under the UK Bribery Act. It is highlighted that it is a criminal offence to offer, give and/or accept a bribe.

### Commission income received and Payment For Order Flow ("PFOF")

A payment for order flow ("PFOF") is the practice of receiving a fee or commission from both the client originating the order and the market maker with whom the trade is then executed. This gives rise to a direct and self-created conflict of interest between Avalon and its clients.

All Relevant Persons are prohibited from the practice of PFOF unless they are able to demonstrate that the conflicts of interest can be managed adequately.

If they cannot be managed adequately to ensure, with reasonable confidence, that the risk of damage to clients' interests can be prevented, the nature of the conflicts and the associated risks to the clients must be disclosed in accordance with the disclosure rules before undertaking any business for the clients.

### Production of promotional material

The Firm has a number of individuals who dedicate a significant proportion of their time to producing promotional material which includes: market commentary and financial promotions. All individuals producing material in this manner communicate and deal with clients will be subject to certain restrictions in order to manage any conflict. There are additional requirements in relation to any transaction undertaken for their own account. Any material which is considered to amount to more than market colour will require pre compliance approval.

### **Relationships**

Personal relationships between individuals at the Firm and individuals/entities connected to the Firm and/or in the industry are likely to exist. Where this arises the relevant individuals are subject to increased monitoring to ensure interests of clients are not being jeopardised and, where required, blocks can be put in place to prevent individuals from dealing/benefiting from the related individual/entity.

### **Third Parties, including External Auditors**

Avalon, through its processes, will consider its relationships and business activities with third parties and whether these may result in conflicts of interest. This specifically includes the use of statutory auditors in relation to consultancy and/or other non-financial audit roles.

### **Conflict management**

To assist with identifying and managing conflicts, the below principles have been created. They have been designed to assist with any unforeseen conflict not covered in the policy. Note, disclosure is not relied upon as a method of managing conflicts and will only be used as a last resort after all other pro-active methods have failed to manage conflicts effectively.

#### **Identification of conflicts of interest**

Avalon Individuals are required to consider and assess whether through their roles, activities, outside interests, etc., potential / actual conflicts arise. The principle is designed to ensure that Avalon identifies and assesses conflicts of interest appropriately. This is to enable Avalon to pro-actively manage potential / actual conflicts of interest that may entail a material risk of damage to the interests of its clients.

#### **Fair and equal treatment**

This principle ensures that clients are always treated fairly and equally when either advising them or dealing on their behalf. In particular, where a Avalon Individual is aware that they or the Firm has a material interest, which could influence their dealings with or the provision of advice to the client, that interest must be disregarded. Avalon Individuals must act in the interests of the client.

#### **Independence and impartiality**

Relevant persons must act independently and impartially, in the interests of the client, ignoring any conflicting interest that may arise between the client, Avalon and/or the Avalon Individual.

#### **Clients, counterparties and third parties**

The Firm's general processes in relation to client take-on are designed to act as a supporting control, preventing any party who would not be authorised from a regulatory or internal procedure perspective, from transacting business with Avalon.

#### **Segregation / Chinese Walls**

Avalon operates processes and procedures to segregate relevant functions / roles, in order to avoid and manage situations arising that may result in a potential for conflicts of interest. Chinese Walls are procedures used to prevent or control the flow of sensitive information (Avalon Individuals, clients and/or third parties) where there is a risk of conflict of interest arising from the exchange of information, which may harm the interests of one or more clients. This includes physical barriers, segregation of data and roles.

#### **Declining to act**

Even with appropriate management techniques, there may be some situations where it may not be possible for Avalon to act on behalf of a client. Due to the nature of the investment business Avalon is involved in, it is unlikely that situations will arise whereby the conflict is so severe that that even with appropriate management techniques, Avalon would have to decline to act on behalf of a client. However in the event that such a situation arises, where it is deemed that Avalon best not act for a client, the case should be referred to the Compliance department.

#### **Inappropriate influences**

Avalon operates procedures and controls to prevent or limit any person, including third parties, exercising inappropriate influence over the way in which a relevant person carries out services or activities. These procedures and controls include segregation of functions and oversight.

### **Remuneration**

Avalon remunerate the firms' front-office staff by way of a profit share arrangement based on the amount of commission income they or their team generate through the arrangement and execution of transactions.

Management procedures are in place to ensure that such fees and commission do not damage our client's best interests.

### **Supervision**

Avalon supervises individuals who carry out activities on behalf of clients. This will include scenarios where the clients' interests may conflict or represent different interests that may conflict, including those of the Firm.

### **Training & awareness**

All Avalon individuals, including new joiners, receive training and guidance on conflicts of interest as part of the Firm's overall compliance training programme, as and when deemed necessary by Compliance. It is the duty and the obligation of all Avalon Individuals to maintain their awareness and hence vigilance for conflicts of interest.

### **Monitoring and reviews**

Avalon monitors and reviews the activities of the entities in the group in a proportionate manner which is designed to ensure that the scope of identified potential/actual conflicts remains appropriate to their business activities. The monitoring and reviews will be used to assess and confirm that the processes and controls operated by Avalon and the Avalon Individuals adhere to the regulations and internal procedures / policies. The results of the monitoring are included within the management information generated by Avalon.

### **Notification, management information, escalation and external reporting**

Avalon operates appropriate notification, management information, escalation and external reporting structures in relation to conflicts and their management. These processes are designed to ensure that the required information is provided to enable conflicts to be managed appropriately. The process will include the pre or post authorisation of certain actions to be taken by Avalon or the Avalon Individual e.g. Gifts and Entertainment. Where Avalon Individuals believe that conflicts are not being identified or managed appropriately, this is escalated to Function Heads and/or Compliance. This may fall within the remit of the Whistleblowing Policy.

### **Disclosure of a conflict of interest to a client**

Disclosure of conflicts of interest is one of the methods used to manage conflicts, where required the Firms conflicts will be disclosed. This includes disclosures in relation to fees and non-monetary benefits received from third parties, which fall outside Avalon's Gifts and Entertainment Policy. It is highlighted that, on its own, disclosure will not exempt Avalon from the obligation to maintain and operate effective organisational and administrative arrangements.

**Should serious cases of conflicts of interest arise, the escalation and reporting may include the relevant external authorities such as the FCA.**