



# Toyota Tsusho Metals Limited

## Conflicts of Interest

**2023**



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## 1. PURPOSE

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Toyota Tsusho Metals Limited (“TTM” or “The Firm”) is authorised and regulated in the UK by the Financial Conduct Authority (“FCA”) for its regulated activities. It is committed to adhering to all applicable legal and regulatory requirements. The purpose of this Policy is to set out TTM’s approach to ensure that its organisational arrangements and procedures enable it to comply with the relevant requirements pertaining to the use of social media.

## 2. OVERVIEW AND OBJECTIVES

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Toyota Tsusho Metals Limited (“TTM” or “The Firm”) faces actual and potential conflicts on a regular basis and it is therefore critical to TTM’s success that it identifies and manages those conflicts appropriately.

**All Employees** are responsible for:

- (1) Identifying potential, perceived or actual conflicts (if in doubt seek advice from Compliance);
- (2) Escalating potential, perceived or actual conflicts (if in doubt seek advice from Compliance); and
- (3) Following the requirements of this Policy and all other policies which address the identification or management of conflicts, including, but not limited to, TTM’s policies and procedures relating to:
  - Anti-Bribery and Corruption;
  - Culture and Ethics;
  - Conduct of Business;
  - Confidentiality;
  - Personal Account Dealing;
  - Order Handling and Execution including costs and charges & inducements;
  - Gifts and Entertainment;
  - Introducing Brokers and Introducers;
  - Market Abuse;
  - Whistle Blowing;
  - Market Commentary;
  - Outside Business and other Interests; and
  - Outsourcing.

FCA Principle 8 requires TTM to manage its conflicts fairly, both between itself and its customers, and between a customer and another Client. TTM inevitably faces conflicts; managing them appropriately is a fundamental prerequisite to TTM maintaining integrity in the eyes of its Clients, stakeholders, regulators and the markets generally.

### 2.1 Definitions

**“Conflict”**: An actual or potential situation in which an individual or firm may be encouraged or helped to alter the outcome of a decision, transaction, activity or relationship to benefit itself or a third party



unfairly over another individual or firm also involved in the decision, transaction, activity or relationship.

**“Client”**: A client, counterparty or customer.

**“Employee”**: For the purposes of this Policy, any employee of TTM and any contingent worker, contractor or consultant working on a regular basis at TTM’s premises.

**“FCA”**: Financial Conduct Authority.

**“Liquidity Provider”**: Market makers, banks and any other liquidity providers that act to provide liquidity when TTM is executing client orders.

**“MiFID II”**: Directive 2014/65/EU on markets in financial instruments.

### 3. POLICY REQUIREMENTS

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When considering potential conflicts of interest, TTM must consider its activities broadly. Conflicts occur when TTM holds information or has incentives that were they to be acted upon inappropriately, may create an unfair advantage for one party over another or otherwise create a detriment to clients in particular circumstances.

#### 3.1 Identification of Conflicts

Pursuant to SYSC 10.1.3R, TTM “must take all appropriate steps to identify and to prevent or manage conflicts of interest”.

As conflicts are often dynamic, evolving with business and market developments, constant vigilance and regular reviews are required. Conflicts may arise between the interests of:

- (1) TTM and a Client;
- (2) TTM and an Employee;
- (3) An Employee and a Client; or
- (4) Two or more Clients.

This list is non-exhaustive and more than one conflict may arise in any particular situation. Each Employee is required to be vigilant for potential or actual conflicts and to escalate them in accordance with Section 3.2 (escalation) of this Policy. Listed below are example situations in which conflicts may arise (but again, please note this list is not exhaustive):

- (1) A financial gain may be made or a financial loss avoided at the expense of a Client;
- (2) TTM or an Employee has an interest in the outcome of a service provided to or a transaction with a Client that is distinct from the Client’s interest in the outcome;
- (3) TTM or an Employee has a financial or other interest to favour the interest of one Client or group of Clients over the interest of another;



- (4) A Client carries on the same business as TTM;
- (5) TTM or an Employee receives an inducement (money, goods or services) in relation to services provided other than standard commissions or fees for the services;
- (6) TTM receives some form of remuneration in relation to services provided other than standard commissions or fees for services;
- (7) An Employee has personal interests in a Client or other third party; and/or
- (8) An Employee gains unpublished, price sensitive information about a Client or third party, such as a potential takeover, and there is a temptation to inappropriately disclose or act (including a failure to act) based on such information.

TTM regularly monitors the conflicts that may arise as a result of the business that it undertakes via periodic Compliance Risk Assessments.

### **3.2 Escalation of Conflicts**

The Firm takes the identification and escalation of conflicts of interest incredibly seriously and has implemented the following controls to enable employees to disclose potential conflicts:

- All new joiners are required to disclose any potential conflicts of interest within the new employee onboarding documentation;
- Staff are required to complete an annual compliance declaration, within which individuals must confirm they have disclosed any known conflicts of interest; and
- All staff receive annual training on Conflicts of Interest, ensuring individuals understand the types of conflicts which could arise during the course of their employment at TTM.

As detailed in TTM's Compliance Manual, it is the responsibility of each individual employee to identify and escalate any conflicts of interest. This responsibility is ongoing and employees should therefore not wait until the annual attestation process to escalate any potential new conflicts. Instead, employees must make such escalations to Compliance as soon as the individual becomes aware of the potential conflict by contacting [compliance@ttmetals.com](mailto:compliance@ttmetals.com).

If an Employee considers that, having reported a Conflict or Potential Conflict to their manager, the Conflict is not being dealt with appropriately, they should report this to the Head of Compliance or in accordance with TTM's Whistleblowing Policy. Outside business interests, personal account dealing, gifts and entertainment, all of which could give rise to a Conflict, should be disclosed in accordance with the relevant TTM policy.



## 4. MANAGEMENT AND MITIGATION OF CONFLICTS

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SYSC 10.1.7R states that TTM “must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest as defined in SYSC 10.1.3 R from adversely affecting the interests of its Clients”.

Consequently, TTM must take all appropriate steps to identify, escalate and manage conflicts between TTM (including its managers, all employee and any person directly or indirectly linked to them by control) and its Clients, or between one Client and another, that could arise during the provision of services from TTM. The initial stages in managing and mitigating conflicts are set out in 3.1. Identification of Conflicts and 3.2. Escalation above.

If conflicts or potential conflicts have been identified and escalated, there are several ways they may be managed and mitigated. The particular methodology will depend on the circumstances of each case and may include, but are not limited to the following:

- (1) Operation of specific policies such as those identified in Section 2 - Overview and Objectives;
- (2) Segregation of duties and physical segregation, where appropriate;
- (3) Training on conflicts and related topics;
- (4) Addressing conflicts specifically (for example by monitoring and/or controlling particular relationships/practices to ensure that they are carried on in a way where no conflict arises and where the risk of a potential conflict is appropriately mitigated);
- (5) Periodic monitoring and reviews of potential and actual conflicts;
- (6) Prohibition of certain business, activities or relationships; and
- (7) Declining to act in specific situations.

As detailed in Section 3.2 above, TTM employees are responsible for identifying and escalating any potential conflicts of interest to the Compliance Department.

On receipt of a Conflicts of Interest Report, the Compliance Department will review the information and, where appropriate, request additional information from the submitter. If, following a review, the Head of Compliance considers a conflict of interest to exist, the following action must be taken:

- The conflict of interest must be logged on TTM’s Conflict of Interest Register; and
- A Conflict-of-Interest memo must be completed by Compliance which records the details of the conflict and how it will be managed effectively by TTM.

Where the Compliance Department considers a conflict of interest to be material, or is concerned the conflict cannot be effectively managed by the Firm, an escalation must be made to Senior Management immediately.



## Disclosure

TTM has put in place effective organisation and administrative procedures and controls (as described in Section 5 below). However, where TTM's arrangements are not sufficient to ensure with reasonable confidence that the risk to clients will be prevented, TTM will disclose the conflict to the client.

Any such disclosure will be made in a 'durable medium', as defined by MiFID II, and a record of such disclosure retained by TTM. Any disclosure made to Clients must be referred to Compliance and pre-approved by Senior Management, and must include:

- (1) A specific description explaining the nature and source of the potential conflict/s;
- (2) The risks to the Client that may arise because of the conflict/s; and
- (3) The steps taken and to be taken to mitigate those risks, in sufficient detail to enable the Client to make an informed decision with respect to the investment or service where the actual conflict or potential conflict has arisen.

Disclosure is a measure of last resort that is used only when other arrangements made by TTM to manage conflicts are not deemed sufficient to ensure with reasonable confidence, that the risk of damage to the interests of a Client will be prevented.

There may be cases where a conflict cannot be sufficiently mitigated through disclosures, information obstacles or other controls, and in such cases, TTM must decline to enter such a transaction/relationship.

## **5. RECORD KEEPING**

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TTM maintains a Conflicts of Interest Register which identifies the types of activity, services or arrangements which could give rise to a conflict of interest and logs all the individual conflicts of interest identified that could result in a material risk of damage to the interests of one or more of TTM's clients. This register is periodically reviewed, and a Conflicts of Interest Report is issued to the Board on at least an annual basis.

A copy of the Conflicts of Interest Register and Conflict of Interest Policy is presented to TTM's Board annually, who review the documents and make recommendations to enhance this Policy where necessary. The following information must be provided to the Board as a minimum:

- Information on any new types of conflicts of interest identified on the Register;
- Number of escalations made regarding potential new conflicts of interest;
- Details of any conflicts of interest which have either been disclosed to a client or considered too material to manage and thus resulted in TTM declining to act for a Client;
- An understanding of any changes to the Conflict of Interest Policy in the review period;
- Details of any breaches of the Policy



## 6. GENERAL CIRCUMSTANCES WHERE CONFLICTS MAY ARISE

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### 6.1 Investment Research & Non-Independent Research

Currently, TTM does not produce Investment Research (as defined in the FCA Handbook), but there may be occasions where an Employee produces certain material in relation to their business, which would include market commentary and financial data. Any material that is formal or informal market commentary will require preapproval from, and monitoring by, Compliance and Senior Management.

### 6.2 Inducements

When dealing with Professional Clients, and in accordance with Article 24(9) of MiFID II, TTM is only permitted to pay, or be paid, an inducement (namely a fee, commission or non-monetary benefit) in connection with the provision of an investment service or ancillary service where the relevant payment:

- (1) Is in accordance with regulations applicable to TTM;
- (2) is designed to enhance the quality of the relevant service to a client of the investment firm;
- (3) does not impair compliance with the investment firm's duty to act honestly, fairly and professionally and communicate in a way that is fair, clear and not misleading; and
- (4) is in accordance with the best interests of its clients.

TTM has a duty to each Client to clearly disclose the existence, nature and amount of any inducement or, where the amount cannot be ascertained, its method of calculation. This disclosure must be made in a manner that is comprehensive, accurate, understandable to the Client, and made prior to the provision of the investment/ancillary service.

Although the rules against Inducements do not apply to Eligible Counterparties in respect of which TTM performs Eligible Counterparty business, TTM still owes such Clients an obligation to act honestly, fairly and professionally. In addition, TTM is still subject to its general obligations in respect of managing conflicts (such as principal 8 and the requirements set out in the SYSC chapter of the FCA handbook).

Any inducements, commissions, or other payments received by TTM should be considered with respect to this Policy as a whole, to ensure that any conflicts they present (or potentially present) are managed appropriately.

In particular, in accordance with FCA guidance, and with enhanced restrictions on third party payments and the avoidance of the type of conflicts contemplated by MiFID II, the practice of requesting payments from liquidity providers as a condition for conducting client business with them, also referred to as "Payment for Order Flow" or "PFOF", is prohibited because it is considered to significantly undermine a broker's ability to act in the best interests of its underlying Clients.

### 6.3 Gifts and Entertainment

Compliance maintains a record of all gifts and entertainment provided or received by Employees. Giving or accepting inappropriate gifts or entertainment is strictly prohibited, and to assess the suitability of a gift, all TTM Employees must consider whether or not it:



- (1) Could breach TTM's duty to act in the best interests of the Client; or
- (2) Could create actual or potential conflicts of interest that adversely affect certain Client's interests.

#### **6.4 Bribes**

TTM has a zero-tolerance approach to bribery and corruption, with strict measures to guard against corruption perpetuated or assisted from within TTM.

TTM's Anti-Bribery & Corruption Policy has been designed to ensure Employees:

- (1) Understand the relationship between conflicts of interest and corruption;
- (2) Take a proactive approach in deterring and detecting misconduct; and
- (3) Conduct their business honestly and ethically.

All TTM Employees are provided with annual training which provides further education on the issue of bribery and corruption, and the consequences of undeclared acts of bribery.

#### **6.5 Personal Account Dealing**

All TTM staff members are specifically prohibited from trading commodities which TTM trades, in any market, other than on behalf of TTM. Therefore, TTM staff must not engage in trading any of these commodity markets for their own account at any time.

TTM has in place policies to ensure that it prevents Conflicts arising out of the misuse of material non-public information by Employees or persons connected with Employees.

All Employees must familiarise themselves and act in compliance with the Personal Account Dealing Policy as set out in the Compliance Manual.

#### **6.6 Segregation of duties**

TTM's governance and organisation structure facilitates the effective segregation of different business functions and Employee duties. This includes the existence of dedicated and independent business support functions including Compliance, Control, Finance, Credit Risk Market Risk and IT.

Where an Employee has any concerns regarding the scope of their duties (for example, where additional duties may give rise to conflicts) that Employee must escalate their concerns to either their line manager or Compliance (as appropriate).

#### **6.7 Execution of Client Orders**

TTM acts in accordance with its regulatory obligations relating to order handling and the provision of best execution where appropriate and has implemented detailed policies and procedures.



## **6.8 Information Barriers**

Information barriers are physical, procedural or electronic barriers established to prevent the unnecessary exchange or misuse of confidential information and Non-Public Information.

## **6.9 Remuneration**

Remuneration structures are in place, which are aligned to TTM's business goals and regulatory requirements and do not encourage excessive risk taking and/or remove any direct link to remuneration in cases of potential conflict. More detail can be found in TTM's Remuneration Policy.

## **6.10 Outside Business Interests**

Outside Business Interests of all staff are subject to pre-clearance and ongoing declarations. More detail can be found in TTM's Compliance Manual.

# **7. TRAINING**

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All Employees are provided with on-going training to strengthen their understanding of identifying and managing conflicts, and which policies and procedures apply.

# **8. BREACHES**

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Breach of this policy may result in disciplinary action up to and including dismissal.

Disciplinary action may be taken regardless of whether the breach is committed during working hours, and regardless of whether our equipment or facilities are used for the purpose of committing the breach. If you are suspected of committing a breach of this policy, you will be required to co-operate with our investigation, which may involve handing over relevant passwords and login details.

All managers have a specific responsibility for operating within the boundaries of this policy, ensuring that all staff understand the standards of behaviour expected of them and taking action when behaviour falls below its requirements.

If you are aware of any breaches of this policy, you are expected to immediately advise your manager, or the Head of Compliance.