

COWEN

COWEN EXECUTION SERVICES LIMITED

CONFLICTS OF INTEREST DECEMBER 2022 VERSION

Cowen Execution Services Limited
11th Floor, 1 Snowden Street
London EC2A 2DQ
T 020 7070 0130
www.cowen.com

Registered in England and Wales | Number 6262150
Authorised and regulated by the Financial Conduct Authority

Conflicts of Interest

1. **General**

Cowen Execution Services Limited (**CESL**) and its affiliates (**Affiliated Companies**) provide services and maintain positions in a wide range of products, whether as a result of trading activities requested by clients or counterparties, or as part of a hedging strategy in reasonable expectation of near-term demand. CESL's Affiliated Companies may also have an interest or arrangement that is material to a transaction effected with or for its client (**Client**). These business activities have the potential to result in CESL or its Affiliated Companies having an interest that diverges from that of the Client.

2. **Identification of Conflicts of Interest**

In accordance with the rules of the UK's Financial Conduct Authority (**FCA**) and its conflicts of interest policies, CESL maintains and operates effective organisational and administrative arrangements and is committed to taking all appropriate steps to identify, monitor and manage conflicts of interest. CESL has arrangements in place to:

- (i) identify circumstances which may give rise to conflicts of interest with the potential to result in material risk of damage to customers' interests;
- (ii) establish appropriate mechanisms and systems to mitigate and manage those conflicts; and maintain systems designed to prevent identified conflicts of interest from resulting in damage to customers' interests.

In receiving services from or transacting with CESL or similar, the Client accepts that CESL and its Affiliated Companies may have interests which are material in relation to the Client's order (**Order**) or transaction (**Transaction**), and which give rise, or have the potential to give rise, to a conflict of interest. Further, CESL and its Affiliated Companies may have multiple clients with conflicting interests in relation to any Order or Transaction. Without limiting the nature of such interests, examples include where CESL or its Affiliated Companies could be:

- (1) providing services to other clients where such clients may have an interest in the investments, related investments, or assets underlying the investments which conflict with the Client's interests;
- (2) dealing as agent for the Client in relation to Transactions involving investments, related investments or assets underlying the investments in which it is also acting as agent for other clients;
- (3) dealing in the investment, a related investment or an asset underlying the investment for CESL's or an Affiliate Company's principal account, or another Client's own account;
- (4) dealing in investments, related investments or assets underlying the investments as principal with Client, for example by trading as a principal, riskless principal or on a net basis or entering into a back-to-back transaction;
- (5) dealing with or using the services of an intermediate broker or other agent in relation to Transactions involving the investments, related investments or assets underlying the investments where such broker or agent may be an affiliate of CESL;

- (6) entering into or arranging Transactions from which CESL or an Affiliate Company receives a payment of any description from a third party;
- (7) providing liquidity in an instrument that an employee (or family member) of CESL may have a personal investment or other interest;
- (8) providing investment research, as defined under Directive 2014/65/EU (as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018) (**MiFID II**) or trading ideas, desk notes, market commentary, investment recommendations as defined under the Market Abuse Regulation EU 596/2014 (as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018) (**MAR**) or other information and/or non-independent analysis and strategy and other materials which are clear, fair and not misleading for clients and to support CESL trading activities;
- (9) providing investment banking services such as financial advisory, lending, underwriting or otherwise participating in the issuance of a financial instrument, to a company whose financial instruments are the subject of the Client's Transaction.

3. **Principal Trading**

As a liquidity provider CESL may, in accordance with applicable law and regulations (**Applicable Law**), enter into transactions with the Client in a principal capacity. In the circumstances a transaction is executed in a principal capacity for facilitation purposes, the facilitated order(s) may receive a different per share price from the price of CESL's hedging, liquidating or covering transactions.

Where acting in a principal capacity, upon receipt of a potential or firm request to enter into a transaction, CESL may find it necessary to engage in pre-hedging or other hedging activities to facilitate the request or potential request. This may include entering into transactions prior to the receipt of a firm order by the Client. These hedging activities may impact the market price or liquidity of the instrument in question and may impact the final execution price.

CESL may on occasion receive more than one client order related to the same transaction at the same time. To ensure fair treatment of both clients, CESL will meet requests for comparable orders on a time priority basis.

4. **Management and Disclosure of Conflicts of Interest**

Any identified conflicts of interests will be managed by CESL to prevent that such conflicts cannot adversely affect the interests of any clients. Where the measures undertaken by CESL are unable to prevent adverse effect from arising in relation to any clients' interests, CESL will notify the relevant client of the nature or source of the conflict and the measures taken to mitigating the risks before CESL carries out any business on behalf of the relevant client. Such disclosure will be used as a last resort.

5. **Policies and Procedures**

CESL has adopted numerous internal policies and procedures, often set out in its internal procedures manuals, in order to manage the potential conflicts of interests that it has identified.

The policies and procedures have been designed to ensure that CESL has taken all appropriate steps to protect the interests of its customers. CESL provides training to its staff in respect of the CESL procedures for identifying, managing and escalating conflicts. All staff are made fully aware of their responsibilities under the relevant policies and procedures to ensure that customers are treated fairly.

These policies and procedures are subject to CESL's normal oversight processes to identify, manage, control, monitor and review conflicts of interest. The policies and procedures include:

(i) **Conflicts policy, including conflicts register**

CESL maintains a conflict of interest policy which ensures that staff can identify, escalate and mitigate any conflicts of interest which are identified. In particular, internal procedures define and identify conflicts. This is complemented by a conflicts register, and the results of conflicts identified and managed are presented to the board on a regular basis for oversight.

(ii) **Integrity and Standards of Conduct**

CESL insists that, in its dealings with customers, its staff must use the highest standard of integrity in their actions at all times. CESL's monitoring and training programmes are designed to ensure that all relevant staff are familiar with and observe, amongst other things, the FCA's Principles for Businesses, the Statements of Principle and Code of Conduct rulebook.

(iii) **Customer Orders**

In order to ensure as fair treatment as possible for customers, CESL's order execution policy (**Order Execution Policy**) requires CESL to take all sufficient steps to achieve the best overall trading result for customers, to exercise consistent standards and operate the same processes across all markets in which it operates in relation to all clients and financial instruments. More information is included in the CESL's Order Execution Policy that can be obtained by contacting CESL's Compliance Officer.

Aggregation will only be permitted if it can be demonstrated that the aggregation will result in a favourable execution for all the clients concerned.

There may be occasions when customer orders may have a material effect on a relevant securities price and in order to ensure fair and orderly dealing staff are required to consider potential market impact prior to submitting such orders

In order to ensure a fair and orderly dealing environment within the market, CESL further ensures that its staff comply with the provisions of MAR, as well as the relevant FCA Rules, which aim to prevent insider trading, the misuse of information and market manipulation.

(iv) **Trade Error Handling**

CESL has in place procedures which require all trade errors to be reported and reviewed. Upon identifying any such trade error, steps are taken to rectify the error to ensure the client is treated fairly.

(v) **Personal Account Dealing and Outside Business Activity**

CESL has a policy on person account dealing (**PAD**) and the rules are signed off as understood by all relevant employees regardless of their position within CESL.

The PAD procedures require pre-approval by the relevant business head and notification to CESL's Compliance Officer and all staff are required to annually attest to PAD holdings and annually report any outside business investment activity to the Compliance Officer. All staff are regularly reminded of the PAD rules.

(vi) **Inducements to Employees from Customers**

CESL employees are not permitted to receive gifts, entertainment or any other inducement that may incentivise the favouring of one Client over another; or incentivise the employee to act in a way which may conflict with the interest of CESL, its Affiliates, the Client, or a third party. CESL maintains a policy which limits the value of gifts or entertainment an employee is permitted to receive, although the policy does not preclude an employee accepting reasonable corporate hospitality, provided it is not excessive and does not result in a conflict of interest for the employee.

Employees are not permitted to receive any other form of inducement whether monetary or non-monetary which might benefit (or have the perception of benefitting) one customer at the expense of another when conducting investment business. For example, where two customers give similar orders and one customer agrees to pay more commission, priority or better execution terms must not be granted to that customer's order when it conflicts with obligations owed to the other customer.

(vii) **Inducements to Customers from Employees**

CESL employees are not allowed to place pressure upon customers to persuade their customer to trade through the firm to the extent that this might give rise to a conflict of interest between that customer and its own underlying customers.

(viii) **Group Companies**

Where relevant, Customers are informed via the relevant contractual documentation of their relationship with CESL including any Affiliate Company or any undertaking in the same group, for the execution of customers' orders or where the services of an Affiliate Company are recommended.

(ix) **Information Barriers**

CESL prevents the flow of information where the interests of customers of one business function may conflict with the interests of customers of another business function. This includes using a separate network with no shared systems and customer data access between the two business functions. Further, CESL insists on strict customer confidentiality to ensure that information is disclosed only to those entitled to receive it.

(x) **Remuneration Policy**

All relevant staff that are open to a conflict of interest are paid a basic salary, including Compliance. This salary is not dependent on company performance. A bonus structure does exist which is linked to company performance, team performance or the individual's performance but the structure does not contain performance targets or bonus arrangements that are tiered in a fashion that might incentivise an employee to take inappropriate risks on a client's behalf. The bonus structure is at the discretion of the senior management and notified only on payment.

CESL is subject to both SYSC 19A and SYSC 19F under the FCA Rules in respect of remuneration and applies such remuneration codes accordingly to ensure that conflicts of interest are mitigated.

(xi) **Disclosure**

Where there are no other means of managing the conflict or where the measures in place do not, in the view of CESL sufficiently protect the interests of customers, the conflict of interest will be disclosed to customers to enable an informed decision to be made by the customer as to whether they wish to continue doing business with CESL in that particular situation.

(xii) **Declining to Act**

Where CESL considers it is not able to manage the conflict of interest in any other way it may decline to act for a customer.

(xiii) **Investment Recommendations**

CESL's sales and trading staff may from time to time communicate "Investment Recommendations" as defined by MAR. Such opinions and judgements offered are those of the author or individual sender (**Author**) acting as an agent of CESL and may differ from the opinions expressed by CESL or its Affiliates, including, including research publications. Views expressed by sales and trading personnel may not be objective or independent of the interests of the Author or other CESL sales and/or trading desks, who are active participants in the markets, investments or strategies referred to in this communication. An investment recommendation is not a personal recommendation and does not take into account whether any product or transaction is suitable for any particular investor.

CESL and its Affiliated Companies maintain information barriers to restrict the information flows that may give rise to a conflict of interest. These information barriers prevent information that is held by CESL and its Affiliated Companies from conflicting with the best interest of a client.