

## **GUIDELINES FOR THE TEMPLATE OF CONFLICTS OF INTEREST POLICY**

Conflict of Interest is a situation in which a person or a firm is involved in multiple interests and serving one interest could involve working against another interest.

The purpose of these guidelines is to assist firms intending to carry on Regulated or Market Activities in the AIFC with developing effective Conflict of Interest policies. It must be noted that a firm's Conflict of Interest policy should be proportionate to its business risks arising from both internal and external sources and tailored to the scale and scope of its operations. Consequently, there is no "one-size-fits-all" approach in the way firms should establish and maintain systems and controls. Therefore, these Guidelines are an indication of AFSA's minimum expectations and does not constitute an exhaustive list of requirements that might be applicable to the firm's business.

Conflict of Interest policy should be developed in compliance with relevant requirements stipulated in AIFC Financial Services Framework Regulations, AIFC General Rules, AIFC Conduct of Business Rules ('COB'). Firms should also consider other relevant AIFC Rules and Regulations depending on the proposed business of a firm.

Conflict of Interest policy should set out a firm's arrangements in connection with the identification, documentation, escalation and management of Conflicts of Interest, including where such Conflicts of Interest arise. As a minimum, the Conflict of Interest policy should include the following content:

- The purpose, scope and application of the policy.
- Definition of the general features of Conflict of Interest situations which have potential to put organisational and individual integrity at risk.
- Relationships giving rise to Conflicts of Interest, scenarios, specific examples.
- Staff responsibilities in terms of identifying and managing Conflicts of Interest including those of Senior Management and Board members.
- Description of policies, procedures, systems and controls relating to Conflicts of Interest. It should include description of processes for reviewing potential conflicts, processes for handling a conflict when it arises and may relate to specific activities such as Client order handling, research independence, underwriting and placing, remuneration practices, outside business interests, gifts and entertainment, vendors and third-party representatives. Please refer to COB, Chapter 7.
- Walk away procedures and company's stand where Conflicts of Interest cannot be mitigated
- Description of consequences for violating the policy.

Subject to the type of business activity, firms may refer to the following documents that can be useful in developing their own Conflicts of Interest policies:

1. Principles for enhancing corporate governance <https://www.bis.org/publ/bcbs176.pdf>
2. Conflicts of Interest and associated conduct risks during the equity capital raising process <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD612.pdf>
3. Insurance core principles <https://www.iaisweb.org/page/supervisory-material/insurance-core-principles-and-comframe//file/87203/all-icps-adopted-in-november-2018>