

G. H. Financials Ltd.

Managing Conflicts of Interest

This Statement is provided for the information of clients and prospective clients of G. H. Financials Limited

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G. H. Financials Limited is authorised and regulated in the UK by the Financial Conduct Authority.

1. Introduction

1.1 Regulatory background

G. H. Financials Limited (“GHF Ltd” or the “Firm”) is responsible for taking all reasonable steps to identify and manage any conflicts of interest in its business that might arise between itself or its employees (which includes its Board of Directors, the “Board”) and its clients, between one client and another and between itself and companies connected with GHF Ltd.

GHF Ltd is regulated by the United Kingdom Financial Conduct Authority (“FCA”) and is committed to complying fully with its regulatory obligations which require that it establishes, maintains and implements an effective written Conflicts of Interest Policy appropriate to its size and organisation and the nature, scale and complexity of its business. Employees receive initial and on-going training regarding the Conflicts of Interest Policy and adherence to it is a condition of employment for all employees of GHF Ltd.

1.2 Purpose of this Statement (“Statement”)

This Statement identifies any conflicts of interest that you, as an existing or potential client, might face when engaging in business dealings with GHF Ltd and explains how GHF Ltd manages any such potential conflicts of interest.

1.3 What is a Conflict of Interest?

A conflict of interest can broadly be defined as any situation where either a firm or an individual is in a position to improperly exploit a situation in a personal or official capacity for either a corporate or personal benefit or to favour one client over another. A conflict of interest can also arise where there is a potential for the personal interests of an employee or Director to clash with his or her official duties to GHF Ltd or to a client of the Firm. A conflict of interest exists even though no unethical or improper act results from it but where it could create an appearance of impropriety that might undermine confidence in GHF Ltd.

For the purposes of identifying the types of conflict of interest that arise, or may arise, in the course of providing its services, and whose existence may entail a material risk of damage to the interests of a client, GHF Ltd takes into account, as a minimum, whether the Firm or a Director, an employee, or any other person connected with the Firm:

1. is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
2. has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from the client’s interest in that outcome;



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3. has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
4. carries on the same business as the client; or
5. 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.



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2. Background

2.1 Ownership

GHF Ltd is majority owned by Mr Gedon Hertshten who established the Firm as a specialist derivatives clearer in 1993. Mr Hertshten began his career as a local floor-trader at the Chicago Board of Trade in 1978 and has since been involved in the derivatives industry more broadly, both as a trader and as an entrepreneur. He was a board member of LIFFE from 1997 to 2005.

2.2 GHF Ltd's Business Activity

GHF Ltd provides its professional clients with market access to trade futures and options on derivatives exchanges and with clearing services. It does not undertake any proprietary trading for its own account other than the matched principal business required to effect its client order routing and clearing services.

2.3 Group Companies

GHF Ltd has two wholly-owned subsidiary companies: G. H. Financials, LLC in the US and G. H. Financials (Hong Kong) Limited (collectively "GHF Group").

When assessing potential conflicts of interest, GHF Ltd considers its interactions with its subsidiaries. Each subsidiary maintains its own Conflicts of Interest Policy in accordance with local regulations applicable in the prevailing jurisdiction, subject to the overall supervision of GHF Ltd.



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3. Corporate Governance Arrangements

3.1 Structure

The Board is responsible for the oversight of the Firm's business activities. It is forward-looking and sets strategy. In order to achieve this objective, and to oversee the executive management team ("the Executive") that is responsible for the day-to-day operational activities and the tactical management of the business, the Board has established appropriate governance arrangements.

3.2 Board Membership

The Board consists of two Independent Non-Executive Directors (Duncan Paterson and Robert Levy) and two Executive Directors (the Group Chief Executive Officer, Mark Ibbotson and the Chief Financial Officer, Justin Van Wijngaarden).

The Board of GHF Ltd is chaired by Duncan Paterson.

The biographies of all Board members are available on the Firm's website. This is available at: www.ghfinancials.com/en/about/board-directors

3.3 Delegate Committees

The Board delegates certain authorities to its Board committees (its "delegate committees") under specific Terms of Reference as follows:

Nomination & Remuneration Committee – this committee consists of two Independent Non-Executive Directors and meets as and when required to decide on appointments to the Board and the Board Committees and annually or more frequently to determine remuneration issues. Its remit is governed by a policy statement agreed by the Board. The committee is also responsible for monitoring compliance with FCA guidelines on remuneration. It is chaired by an Independent Non-Executive Director (Duncan Paterson).

As with all committees, should any committee member identify a conflict, for example with respect to a remuneration issue in which they are personally involved, they would be obliged to declare it and to recuse themselves from relevant discussions and voting.

Audit Committee - this committee consists of two Independent Non-Executive Directors and its Chairman is Duncan Paterson. Executives are present at committee meetings as required. The committee considers external audit activity (including annual financial statement production), the relationship with the external auditors and internal audit reviews of internal controls.



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Risk Committee - the committee consists of two Independent Non-Executive Directors. Executives are present at committee meetings as required.

The Risk Committee is responsible for ensuring that the Firm maintains a robust risk framework. Additionally, the Board has delegated to the Risk Committee responsibility for considering the process whereby potential conflicts of interest are identified, for ensuring that any conflicts are adequately managed and for reporting appropriately to the Board.

3.4 Conflicts of Interest Policy

The Board's over-riding concern with respect to governance and the management of conflicts of interest is, and will continue to be, to identify and mitigate all conflicts of interest in an open, transparent and auditable fashion.

The Board has produced a detailed Conflict of Interest Policy that is distributed to all Directors and employees and ongoing compliance with it is a pre-requisite of employment.

That Policy, together with on-going training and internal guidance given by the Firm's Compliance department, are used to help employees identify circumstances which may give rise to potential conflicts of interest and to provide them with the necessary tools to manage any such conflicts.



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4. Potential Conflicts

GHF Ltd maintains a Conflicts Register that clearly identifies where potential conflicts may arise, the parties to any such potential conflicts and how conflicts are being addressed.

The Risk Committee of the Board is responsible for ensuring that the Conflicts Register accurately reflects the business carried out by GHF Ltd.

The main potential conflicts are covered below, together with an explanation about how these are being managed.

4.1 Fair Treatment

The Firm will not give preferential treatment to certain clients over others or provide a service to one client to the detriment of others.

The Firm ensures that clients are always treated fairly when GHF Ltd is acting on their behalf; this is a core principle that underpins the design and operation of its business activities. In providing clearing and market access services, the Firm has a responsibility to provide the same level of care and attention to all clients. Order routing processes are automated and therefore the Firm cannot, and does not, influence the sequence in which orders arrive at exchanges. Thus, any processes that the Firm establishes are designed to ensure that all customers are treated fairly and that there is no preferential treatment.

Hertshten Group Limited, which is majority owned by Mr Gedon Hertshten, and on whose Board he sits, owns and controls a derivatives trading business that is a key client of the Firm. All transactions with Hertshten Group Limited and its subsidiary companies are conducted on an arm's-length commercial basis.

4.2 Undue Influence

The Firm designs its management structures and implements measures to prevent or limit any person exercising inappropriate influence over the way in which the Firm or an employee carries out services or activities.

The Firm operates a culture of trust and openness and has created a governance structure that supports this and encourages employees to escalate any issues of concern. It has adopted an internal governance process that provides protection for anyone needing to do so. No whistle-blower, member of the Risk and Compliance functions or any key member of staff may be dismissed or suspended without the specific knowledge and consent of the Independent Non-Executive members of the Board.



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4.3 Inducements

GHF Ltd and its employees may not receive inducements from third parties or provide incentives to solicit business.

GHF Ltd has a Gifts and Benefits Policy that details the requirements in relation to employees receiving or giving gifts and entertainment that may conflict with their and the Firm's responsibilities to clients.

The Firm also has an Anti-Bribery and Corruption Policy that details the principles that form the basis for the Firm's anti-bribery and corruption efforts including values, code of conduct, risk management, internal and external communication, training and guidance, internal controls, oversight, monitoring and assurance.

4.4 Client Money

The Firm has regulatory permission from the FCA to hold client money and the FCA's regulations provide protection through segregation of such monies as client and house monies are segregated and must not be commingled. The Board ensures that the relevant procedures in this area are checked regularly by external auditors, internal audit and through compliance monitoring.

The Firm structures its operations to ensure segregation of duties and that dual authorisation controls operate throughout the business where required. No Independent Non-Executive Director, has any authority to transfer money, whether client or house funds. Executives have signing authority levels depending on the size of the required payment and no executive can make a payment in isolation without at least a second authoriser.

4.5 Confidential Information Flow

The Firm has procedures applying to all employees covering the use of confidential information. Employees are prohibited from disclosing confidential information and from using such information for any improper purpose. The Firm keeps all client information confidential at all times.

Should a member of the Firm gain access to confidential, non-public information this must not be shared or acted upon.

The Firm imposes information barriers to restrict the unauthorised flow of confidential information thereby preventing potential conflicts of interest arising by restricting access to certain types of confidential information.



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A specific application of an information barrier would occur where a Board member discloses a vested interest and is therefore not permitted access to Board papers or minutes that contain information that needs to be restricted. Board members are also required to recuse themselves and to leave Board meetings when specific matters are being covered in which they have disclosed a vested interest.

4.6 Personal Account Dealing

Employees may not exploit knowledge about client trading for their own advantage.

The Firm has a Personal Account Dealing Policy that sets out the requirements that all employees must adhere to in respect of their personal dealing activities. A key restriction is that employees are prohibited from dealing for their personal account in any futures and options or to undertake any spread betting deals linked to futures and options; so they are not permitted to trade in the same instruments that the Firm's clients are trading.

4.7 Outside Business Interests

Employees of GHF Ltd are prohibited from having external business interests that may conflict with the Firm's interests or those of its clients. All new external business interests must be notified to the Firm's Chief Executive Officer for approval. The Compliance department maintains records of outside business interests and monitors for any potential conflicts.

4.8 Ongoing Vigilance

This list of potential conflicts is not exhaustive and employees are required to be constantly vigilant and to highlight any new conflicts of interest when assessing the services and activities carried out by the Firm.

4.9 Declining to Act

In the event that the Firm determines that it is unable to manage a conflict of interest, it may decline to act on behalf of a client.



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5. Further Information

Questions regarding this Statement should be addressed to the Compliance department by sending an email to compliance@ghfinancials.com

The latest version of this Statement is available from the Firm's website at : www.ghfinancials.com/en/about/regulation

6. Legal Context

This Statement is not intended to, and does not, create third party rights or duties that would not already exist if this document had not been published, nor does it form part of any contract between GHF Ltd and any client.



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