

TRADITION ESPAÑA

Tradition Financial Services Espana Sociedad De Valores SAU

FRONT OFFICE SUPERVISION MANUAL

REVISION HISTORY

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Contents

Contents.....	2
1.0 Document Statement.....	3
2.0 Aims of the front office supervision manual	3
3.0 Conduct Ethics, Values & Culture	4
3.1 Tradition Group Code of Ethics.....	4
3.2 Tradition Group Culture and Values Statement	5
3.3 Tradition Espana Code of Conduct	5
3.4 CMNV Title VI – Rules of Conduct.....	6
3.5 Tradition London Group – SMCR Conduct Rules	7
4.0 First line of defence – three lines of defence risk model	7
5.0 Key Principles	8
5.1 Roles and Responsibilities.....	9
5.2 Fair supervision	9
5.3 General compliance and appropriate supervision.....	10
6.0 KYC/AML Client On-Boarding.....	12
7.0 Business communication and the broking process	13
7.1 Information Accuracy and Confidentiality.....	13
7.2 Communication and Market Abuse	13
7.3 Confidential information and the broking process.....	16
7.4 Record of business communication.....	17
8.0 Matched Principal Broking and Credit Risk obligations	18
9.0 Trade booking supervision and obligations	22
9.1 Trade Confirmation	24
10.0 Risk event and incident capture	25
11.0 Supervision of revenue and desk profitability	26
12.0 Supervision of staff training and appropriate knowledge	27
Appendix	28
Appendix 1 - The Three Lines of Defence Risk Management Model	28
Appendix 2 - Tradition London Group Policy & Procedures Documentation.....	29
Appendix 3 - CMNV Royal Legislative Decree (RLD) documentation – CNMV Rulebook.....	30

1.0 Document Statement

Tradition Financial Services Espana Sociedad De Valores S.A. (here in and after may be referred to as Tradition Espana) is committed to ensuring that we abide by the regulations applicable to our business type and activities. This document outlines our intent and objectives for ensuring thorough front office supervision and other relevant policies relating to any person within our company. Such person shall be referred to in this document as a front office Supervisor or Broker and will be recorded in this document as holding such a position.

This manual aims to comply with the standards and regulations held within the Comision Nacional Del Mercado De Valores (herein and after referred to as the CNMV) handbook, documents and regulations and deem it necessary that any person carrying out, being trained for or in consideration of holding a front office Supervisory or Broking role, is provided with the materials, knowledge and resources to carry out such role as applicable to the business needs and regulatory requirements.

The company are dedicated to ensuring that all employee's in a front office supervisory and/or manager role are properly trained, staffed, resourced and supported with the intention of enabling them to perform their stated job role and responsibilities completely, compliantly and transparently.

2.0 Aims of the front office supervision manual

- To outline Tradition Espanas underlying approach to front office supervision
- Document the approach to front office supervision
- Document roles and responsibilities of front office supervisors and brokers
- Consolidate relevant policy and procedure in one document

3.0 Conduct Ethics, Values & Culture

3.1 Tradition Group Code of Ethics

Message from Patrick Combes, the Chairman of Tradition Group:

“Integrity is at the core of the business of the Tradition Group. It is the common thread through all our activities. The integrity and strength of our personnel, operations, and business are paramount to the health and growth of the Group

The purpose of this Code of Ethics is to lay down our rules of behaviour in all our dealings for the Tradition Group and to provide guidance in our day-to-day business. These rules apply to all employees of the Tradition Group.

It is the responsibility of all of us, as individuals and at all levels of our organisation, to comply with our Code. No deviation can or will be tolerated and no employee will suffer any adverse consequence for having complied with the Code or for simply reporting suspected violations.”

The Code of Ethics expresses the values and standards and the culture of integrity fundamental to the business of the Tradition Group. If you have any difficulty in a particular situation, you should apply the following common sense principles:

1. Do not do anything which you know or believe to be illegal or unethical
2. Do not engage into any transaction which does not have a genuine, legitimate business purpose
3. Ask yourself whether any contemplated transaction or business practice would withstand the scrutiny of the public eye if exposed
4. Act in a manner that will neither undermine nor diminish the reputation or integrity of the group
5. Do not do anything which could require you to be untruthful
6. Seek advice when in doubt

(See appendix 2)

3.2 Tradition Group Culture and Values Statement

The above requirements are brought together in the Tradition Group Values and Culture Statement

1. Maintain high professional and ethical standards in the operations of its businesses and this requires staff to conduct themselves with integrity, accountability and respect for law and regulation
2. Provide a fair, clear and professional service to clients which meets or exceeds their expectations
3. Be a leader and to provide competition in the markets in which it operates, supporting the operation of these markets to ensure fairness, stability, compliance and innovation
4. For all staff to conduct themselves to the high professional and ethical standards expected and to have pride in the organisation they work for an organisation with a friendly working environment, free from discrimination and conducive to achieving Tradition's aims

3.3 Tradition Espana Code of Conduct

The Tradition Espana entity follows the same Code of Conduct of that of Tradition London Group

Front Office Supervisors must ensure that all staff understand and adhere to its contents when undertaking all business activities.

(See appendix 2)

The CMNV has a code of conduct within its rule book for Authorised Firms that apply to all regulated firms. These are intended to form a universal statement of the standards expected from regulated firms. While these apply to us they are also relevant to actions you take e.g. observing proper standards of market conduct, treating customers fairly, communicating clearly, dealing with conflicts of interest and ensuring the suitability of any advice.

(See appendix 3)

3.4 CMNV Title VI – Rules of Conduct

(See appendix 3)

All employees of Tradition Espana should understand and comply with local regulations and requirements such as but not limited to:

Part 1 Rules of conduct applicable to investment firms

Section 1 - Entities subject to the obligation and classification of clients pg. 119

Section 2 - General duties of performance pg. 121

Section 3 – Surveillance and control of financial services pg. 122

Section 4 - Information duties pg. 122

Section 5 - Suitability and appropriateness assessment pg. 123

Section 6 - Other obligations of conduct in the provision of services pg. 126

Section 7 - Payments and remuneration for provision of services pg. 127

Section 8 - Management and execution of client orders pg. 130

Part II - Market Abuse

Part I - General provisions pg. 137

Part II - Cooperation with other authorities' pg. 149

Part III - Prudential supervision pg. 161

Part IV - General provisions of infringements pg. 170

Part IV - Notification of infringements pg. 173

Part V - Very serious infringements pg. 176

Part VI - Serious and minor infringements pg. 185

Part VII - Elapsing f infringements pg. 191

Part VIII - Sanctions pg. 192

Part IX - Publications of sanctions pg. 201

CMNV adopted the new European market abuse regulatory framework - which has been in application since 2016 and consists of a number of provisions including EU Regulation 596/2014 on Market Abuse (MAR)

Market abuse is a concept that encompasses unlawful behaviour in the financial markets and, for the purposes of this Regulation, it should be understood to consist of insider dealing, unlawful disclosure of inside information and market manipulation. Such behaviour prevents full and proper market transparency, which is a prerequisite for trading for all economic actors in integrated financial markets.

3.5 Tradition London Group – SMCR Conduct Rules

We are required by our regulators to adhere to their published standards of business engagement such as but not limited to the following extracts taken from the FCA Handbook, Code of Conduct (COCON)

All Tradition Espana employees must be aware

<https://www.handbook.fca.org.uk/>

Rule 1: You must act with integrity

Rule 2: You must act with due skill, care and diligence

Rule 3: You must be open and cooperative with the *FCA*, the *PRA* and other regulators

Rule 4: You must pay due regard to the interests of *customers* and treat them fairly

Rule 5: You must observe proper standards of market conduct

(COCON 2.1)

FCA Senior Manager Rules- SMF s only

SC1: You must take reasonable steps to ensure that the business of the *firm* for which you are responsible is controlled effectively

SC2: You must take reasonable steps to ensure that the business of the *firm* for which you are responsible complies with the relevant requirements and standards of the *regulatory system*

SC3: You must take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person and that you oversee the discharge of the delegated responsibility effectively

SC4: You must disclose appropriately any information of which the *FCA* or *PRA* would reasonably expect

4.0 First line of defence – three lines of defence risk model

An explanation of this Risk Management Model can be found in the contained (See Appendix 1)

Front Office employees are a crucial part of the 1st Line of Defence and must therefore take ownership for:

1. The Front Office Supervision Controls
2. The associated Front Office risks
3. Front Office business conduct and operating culture
4. The supervision and management of Tradition Espana Limited Front Office businesses activities and related functions

This is a requirement of our regulators and auditors.

All front office supervisors must understand the relevance to their supervision, accountability and responsibilities of the three lines of defence risk management model that is operated by the Tradition group of companies.

5.0 Key Principles

This manual also exists in order to formalise and enhance consistency of front office supervision across the Tradition Espana entity. This manual recognises that there is a diversity of businesses and roles that exist. Therefore not all aspects within this manual will be relevant to all staff and supervisors. All front office Supervisors must aspire to best practice within their own business arena.

It is the responsibility of front office supervisors to ensure that all staff understands the contents and the spirit of the international and/or applicable market codes of conduct, regulation, handbooks and best practice reviews relating to their business area.

It is also recognised that there are elements of front office supervision and control which are outlined within this manual that are not currently in place or not currently undertaken within some businesses. This manual seeks to formalise the **basics** of front office supervision and control, therefore all front office supervisors should implement strategies and plan future business activities so as to achieve compliance with the requirements documented within this manual. Front office Supervisors should understand the spirit of this manual.

This Front Office Supervision Manual will apply to all Tradition Espana SA employees. Largely, focus is on the front office supervisory responsibility.

A front office supervisor is most likely to be but may not be limited to:

An individual appointed by the business to supervise, direct, manage or have oversight responsibility for a defined population of individuals and/or the business activities that are undertaken by the Tradition Espana SA entity.

5.1 Roles and Responsibilities

The Board and Senior Managers of Tradition Espana are accountable for the oversight of the front office supervision, part of which may be delegated to sub committees and or Senior Management.

Through approving the Front Office Supervision Manual the Board sets the tone and influences the culture of front office supervision within Tradition Espana SA. This includes determining:

The front office supervision attitude of Tradition Espana SA including the standards and expectations of staff with respect to conduct and probity in relation to front office supervision.

5.2 Fair supervision

It is the responsibility of front office supervisors to ensure appropriate documentation, such as agendas and minutes, are maintained and constantly available. It is also the responsibility of front office supervisors to establish an effective front office oversight and supervisory control framework.

Front Office supervisors must understand and consider the evolving risk and control environment when implementing their business strategy.

It is also the responsibility of Front Office supervisors to ensure of and demonstrate a fair business operating culture. This must include adherence to best practice and ethical conduct.

Examples include but may not be limited to:

- Best market practice and appropriate staff conduct and behaviour are a front office supervisory priority that receives their regular review.
- Their supervision is transparent and that regular opportunity exists for challenge and discussion relating to business practices, business development, regulatory change, desk disputes, conduct and behaviour, effective team/desk management and accountability.
- When undertaking staff appraisal, front office supervisors should consider staff overall performance, contribution and attitude that may impact within Tradition Espana entity as a whole. This may include topics such as adherence with compliance policies, understanding of the changing regulatory and business environment and engagement with support functions.
- They are conspicuous in modelling adherence with business standards and supervision.
- Front office Supervisors must be able to articulate and demonstrate the correct tone from the top for the Tradition Espana business.
- Through their ongoing assessment they ensure that their staffs maintain suitable skills and knowledge to carry out their assigned role such as knowledge of the relevant products and market environment, knowledge of regulatory requirements and change, practical experience, awareness of ethical and compliance policies and the correct and applicable exchange registrations and/or qualifications.
- They regularly attend and contribute to any relevant internal committee, fora, workshops or meetings.
- They manage their time efficiently so as to ensure that they can discuss and are open to challenge on any relevant issue and/or action that relates to internal functions such as Front Office Risk and Control, Compliance, Operational Risk, Credit Risk and Human Resources.

- They ensure that there is a cascade of all relevant and appropriate information conveyed to the appropriate staff particularly in relation to risk management and the related mitigating controls, conduct and behaviour.

5.3 General compliance and appropriate supervision

1. It is the responsibility of Front Office supervisors to establish a supervisory structure that ensures of compliance with legal and regulatory requirements of any jurisdiction in which they operate.
2. This includes requirements relating to supervision itself and the ability to be able to evidence their supervision.
3. It is the responsibility of a front office supervisor to always consider the measures that are necessary to ensure effective supervision including the provision of effective and robust processes and controls that contribute to their oversight.
4. It is the responsibility of front office supervisors to cultivate efficient working relationships with other 1st line of defence functions such as Front Office Risk and Control, Trade Support/Back Office, Human Resources and Finance. A Front Office supervisor must also maintain a constructive business partnership with 2nd line of defence functions such as Risk and Compliance. All Front Office supervisors should initiate regular opportunities to meet with relevant internal contacts so as to ensure complete knowledge of all aspects of business that relate to their role.
5. It is the responsibility of front office supervisors to ensure that new and existing staff fully understand and adhere to all relevant company policies, rules and procedures:
6. Clear communication with all staff that increasing revenue or market share never justifies poor market conduct or practice.
7. Front Office supervisors must ensure that staffs who engage in inter-desk trading/cross pollination of business have a full understanding of the products for which they are undertaking business. Staff should also have a full understanding of any specific related policies and procedures relating to that product. This would be particularly significant in cases where a staff member who would usually broker Name Give Up business is engaged by a client to execute a Matched Principal Trade.

Therefore Front Office supervisors must ensure that all staff adheres to Tradition London Group policies and procedures such as but not limited to those which are attached in (See Appendix 2) of this manual

(See Appendix 2)

These include but are not limited to:

The Tradition London Group Compliance Manual

The Tradition London Group Anti Bribery and Corruption Policy

The Tradition London Group T&E Policy

The Tradition London Group New Product Policy

The Tradition London Group Remuneration Policy

The Tradition London Group Personal Account Dealing Policy

The Tradition London Group Conflicts of Interest and policy of independence

These may also include those that are applied or shared by the Tradition London Group or by the CFT Group of companies such as those owned by:

The Tradition London Group Compliance Department

The Tradition London Group HR Department

The Tradition London Group Finance Department

The Tradition London Group Front Office Risk and Control Department

The Group Credit Risk Department

The Tradition London Group Operational Risk Department

6.0 KYC/AML Client On-Boarding

Compliance owns these policies, and can be accessed by clicking on the **following link**:-

<http://intranet.tradition.int/uk/home/compliance/aml-and-market-abuse.aspx>

It is the responsibility of a Front Office supervisor to ensure that both you and your direct reports understand and act in accordance of this policy and the related procedures. It is also the responsibility of all brokers to understand and comply with such.

It is the responsibility of Front Office supervisors to ensure that all staff strictly adheres to all company policies and procedures that relate to new client accounts, the KYC Process, related controls and the AML regulations.

Front Office supervisors should also be able to demonstrate strong knowledge in relation to information regarding KYC and AML policies, procedures and regulations.

A Front Office supervisor must ensure that staff understand and adhere to the following internal policies, procedures and controls.

1. The client on-boarding procedure
2. New Client Account Opening Form
3. Standard Information Request List
4. AML Client Questionnaire (where relevant – for higher risk clients)
5. Enhanced Due Diligence Policy & Procedure
6. Tradition Group Anti Money Laundering and Financial Crime Policy
7. Financial Crime Compliance (FCC) Country Policy
8. Anti-Money Laundering – STR Form (STOR)
9. Tradition Group, General Dealing Terms of Business and Execution Policy
10. All and/or any local requirements

Front Office supervisors must ensure that all staff understands that they are not permitted to instigate a dealing relationship with a client in any product or on behalf of any Tradition Group entity prior to the above relevant procedures being undertaken and all of the relevant approval processes completed.

Approval and validation processes include those performed by 2nd line of defence functions such as Compliance and Credit Risk.

(See Appendix 2)

7.0 Business communication and the broking process

7.1 Information Accuracy and Confidentiality

Front Office supervisors must ensure that for all activities undertaken within their business the following is adhered to:

That all forms of communication and any information you pass on you must try to be clear, concise and precise.

Confidentiality is important for the preservation of the firm's reputation and an efficient marketplace. You should therefore regard all information obtained by you in the course of your employment, such as internal data about the company's financial status, personnel/client information relating to for example salary, as confidential

You should only disclose such information:

- (a) To those who are entitled to receive it; or
- (b) Where you have the approval of the Compliance Department.
- (c) When compelled to do so by the Regulatory Authority or under the rule of law.

Front Office supervisors should understand that when attesting to their understanding of this manual they are also attesting to the requirements of documents that this manual quotes or refers to. This therefore includes local Policies and Procedures of Tradition Espana SA and the requirements of local regulators including the CNMV rulebook requirements

(See Appendix 3)

7.2 Communication and Market Abuse

All staff must transact business both externally and internally using appropriate terminology and language. All staff should communicate in a clear manner that is accurate and not misleading. A Front Office supervisor should monitor business communication standards within their business

Front office Supervisors must ensure regular engagement with the Tradition Espana SA Compliance Department to establish and maintain the appropriate level of and correct focus for communications monitoring and surveillance for their business.

All front office Supervisors must supervise their business so as to ensure that all staff know and adhere to the following:

1. Not to communicate any form of information they know to be, or know could be, false or misleading. Therefore this includes practices known as or similar to "claiming", "spoofing", "reporting", "calling", "flying" "flashing" of an order/quote/price/trade as the case may be or "printing" a trade/transaction that has not yet occurred or indeed will not occur.

This would also include any use of deceptive information in order to create an inaccurate or false impression of market liquidity, market prices or Tradition Espana SA trading activity. This would also include any use of “false”, “dummy” or “alias” client accounts or client identification codes.

These activities are grouped together due to their similarities. Indeed our main regulators may consider these activities as the same in their nature and effect.

It is recognised that some businesses utilise IOIs (Indication of Interest) or MIQs (Market Intelligence Quote) or other similar methods that reflect client interest. These may represent an evaluation of combinations of underlying interests, multiple client orders, and complex client orders, execution of orders during unusually fast market movements and/or broker representation of client spread orders.

Front office Supervisors of such businesses should always be able to demonstrate that these prices are based on an assessment of actual market interest.

A front office supervisor must ensure that there is a clear understanding by clients regarding prices that are indicative in nature or firmly supported.

2. Not to communicate rumours or nonfactual information that has the potential to move market prices or deceive market participants. Market Colour should be communicated appropriately so as to not compromise Confidential Information.
3. Not to mislead clients in any instance or situation.
4. Not to mislead clients through implying that they are trading or filled at the best rate when in fact the rate that they have received has included a mark-up.
5. Not to facilitate or transact any trade that they know is not a genuine trading interest of a client or of a genuine trading nature. This would include any transaction that is specifically arranged simply to create a brokerage/commission. These types of trades can be known as wash trades, switches or put through. This would also include any trade that is or appears to be designed to deceive or create a misleading impression. Therefore this would include any trade or group of trades that is/are for the purpose of trying to disguise the true nature of a client's balance sheet position or trading position.
6. Not to use ambiguous language or methods of communicating that could be misunderstood by other market participants and internal 2nd line of defence staff. This includes but is not limited to specific market communication such as in Bloomberg Chat Rooms.
7. All internal or desk Chat Rooms must be open and transparent to all. Single or one to one Chat Rooms must not be opened. Any attempt to bypass the supervision of business related information is prohibited.
8. Not to communicate business information through shared Chat Rooms or social media. Therefore this would include the servicing of multiple clients within a single Chat Room.

9. Not to engage in or undertake any business activity that is or could be considered as collusion or a form of coordinated trading, broking or business with the intention to gain unfair advantage.
10. That Business Communication includes all written communication and all voice and spoken communication.
11. That all market communications, business communication and/or market data communications that is distributed to any external contact contains the Tradition Espana (and/or London) Compliance Department approved disclaimer.
12. That any information provided to clients or business contacts through any medium at all that is utilised or could be utilised for any revaluation purpose, accurately reflects real time prices. Staff must never move prices in order to appease a client, change a price on a screen/page unless the market price has moved, suggest a revaluation Mark to Market level that is not reflective of the true market price, suggest a price level in illiquid markets without clearly stating a “best endeavours basis” or send end of day closing prices/levels that are not documented/stored and so available for review.
13. That Business Communication can include out of office discussions.
14. That they must clearly state that opinions are opinions and not facts. Front Office supervisors should oversee all communications within their business area in keeping with the following basic principles that are promoted by Front Office Risk and Control:
 - **No Fabrication**
 - **No Speculation**
 - **No Manipulation**

It is the responsibility of all Tradition Espana SA staff to immediately escalate to their senior supervisor and to Compliance any instance, event, action or intention of wrong doing, fraud or market abuse that is within their knowledge. This is true even if they are not completely sure of facts or cannot evidence their suspicions.

It is also the responsibility of front office supervisors to ensure that all staff understands that they must adhere to *the Group Mobile Telephone & Communication Devices Policy along with The Tradition London Group Mobile phone and Communication Policy*

(See Appendix 2)

7.3 Confidential information and the broking process

It is the responsibility of front office supervisors to ensure that all staff understands that they must adhere to the highest standards when managing information that is or could be considered confidential.

This includes information, stored or contained in any medium whatsoever, relating to corporate strategy, business and product development, business methods and processes, intellectual property, names of actual and potential customers, their requirements and preferences and terms of business, computer programs and code, terms of employment of employees and their remuneration, skills and contacts, revenue flows, forecasts, annual budgets, management accounts and other financial information concerning the business of any company in the CFT Group.

Front Office supervisors must ensure that confidential information is managed within their business activities so that:

1. Confidential information is only disclosed to those who have a valid reason for knowing it.
2. All staff considers that any information obtained through the course of their employment is confidential and therefore should not be disclosed to any external party.

Except in, specific and exceptional circumstances such as:

- Requests from Regulators and/or Central Banks
 - Requirements under law
 - Electronic venues or other specific market participants for executing, clearing or settling a transaction
 - A specific request from counterparty and only with documented explicit consent
3. All staff understands that they should not divulge the names of client counterparties before agreeing to trade.
(This is mainly directed towards businesses operating on a name give up basis. It is also recognised that there are a small number of businesses where it can be/ is market practice to divulge names of counterparties in advance of trading. This must only occur in markets where participants recognise this as usual practice and therefore reflects their views on anonymity. This must not be in contravention of regulatory, Exchange or legal requirements)
 4. All business related documents and material that is or could be viewed as confidential is stored securely, preferably within a lockable unit. Such material includes but may not be limited to trade tickets, trade blotters, brokerage charge information, finance reports and printed e-mails.

In relation to third party confidential information, front office supervisors must equally ensure that

1. Any information that is provided by a client is only used for the purpose for which it was given.
2. Confidential market or trade information is not used by any member of staff inappropriately or for their own purposes.
3. Confidential information regardless of whether or not it was obtained inadvertently must not be used in the pursuit of any unfair advantage over other market participants.
4. Staff must never seek to gain information that they know is or could be regarded as confidential regarding a client or any other market participant. All staff must immediately escalate to Compliance any knowledge of any such information and strictly avoid further dissemination

7.4 Record of business communication

It is the responsibility of Front Office supervisors to ensure that all staff understands that business is transacted only using the controlled trading environment.

This means all business related communication whether this is external or internal takes place via Compliance and management approved media and communication devices.

These include but may not be limited to:

- Recorded telephone lines
- Company provided and monitored mobile devices
- Monitored trading platforms and/or exchanges
- Monitored media such as Bloomberg and Reuters
- Internal and Tradition Group e-mail

8.0 Matched Principal Broking and Credit Risk obligations

It is the responsibility of Front Office supervisors within Matched Principal Broking and/or any business that requires a counterparty credit check in order to complete a transaction, to manage their businesses and to maintain their supervision in relation to Credit Risk and Group Credit Limits.

Therefore front office supervisors must ensure of staff understanding and adherence to all Matched Principal Broking and Credit Risk related group and local policies and procedures such as but not limited to the following:

- *The CFT Group Counterparty Approval Process*
- *CFT Group Counterparty Review Process*
- *Tradition London Clearing (TLC) LTD Introducing Broker Policy*
- *Trade Mismatch Memo (Trade Mismatch Procedure)*
- *Any local requirements*

Also see below procedures relating to Credit Risk:



Compliance
Procedure for Cash E



TLC_Policy_Introduci
ng_brokers_bookingV

In addition Front Office supervisors must ensure that:

1. That all relevant staff have access to and understand their responsibilities when utilising the *On-line broker credit limit check tool* which is held within the *TRADMIS* Platform.
That all relevant staff utilise the *On-line broker credit limit check tool* in order to always ensure of the credit worthiness and credit availability per counterparty for each and every relevant trade.
2. That Front Office staff do not breach credit limits. Therefore do not trade or attempt to transact for any new counterparty before the full suite of New Client On boarding Procedures has received all relevant approvals.
3. That Front Office staff always immediately escalates where relevant, with Credit Risk, TLC Middle Office and their immediate front office supervisor requests from counterparties for non-standard settlement trade arrangements. These instances would include but may not be limited to:
 - A non-standard gap between a trade execution date and a trade start date or settlement date i.e. requests for forward settlement or forward starts date.
 - Any instance that leads to any form of trade mismatch such as counterparty settlement and /or settlement with Tradition Group Companies such as Tradition London Clearing (TLC)
(Examples would include start date or settlement date differences. These instances must follow *the Trade Mismatch Procedure*).
 - Any instance that could lead to a delay in settlement or delivery of an asset from counterparty when transacting with Tradition Group Companies such as Tradition London Clearing (TLC).
4. That all relevant staff always utilise the *Credit Risk Hotline* to request approvals regarding credit risk and credit limits. This may include but is not limited to credit line extensions, one off credit approvals and new client credit enquiries.
5. That front office supervisors ensure that all relevant staff are immediately informed of all communication with Group Credit Risk that is related to:
 - The cancellation of a counterparty credit limit
 - The suspension of a counterparty credit limit
 - The reduction of a counterparty credit limit
 - Any other information that could impact the credit available for trading with any counterparty

That all Front Office staff understands that it is their responsibility to immediately inform Tradition Group Risk Management through the *Credit Risk Hotline* of any business information within their knowledge that may influence the creditworthiness of any asset or counterparty. This may include but will not be limited to:

- Media reports of poor credit worthiness
 - Market information regarding the non-settlement of trades by counterparty
 - Market information concerning other participants discontinuing business activities with the counterpart
 - A reduction in market liquidity of an asset or asset group
 - Any difficulties that occur with the accurate valuation of an asset
 - Unexpected spikes in demand for an asset or asset group
6. That all communication between Front Office staff and Credit Risk staff is conducted via recorded communication channels.
7. That all Front Office staff when communicating with Credit Risk personnel always provides additional specific trade information, per trading counterparties and/or per security, that could affect credit worthiness.

Front Office staff must never knowingly withhold information from Credit Risk personnel that could be of relevance to credit worthiness.

This would include but may not be limited to potential Red Flag indicators such as:

- The trade in question relates to an illiquid security
 - The trade has been or appears to be pre-arranged between the counterparties
 - Time pressure from a counterparty to immediately execute a pre-arranged trade
 - The counterparties cannot explain their business rationale for wanting to utilise Tradition (TLC) for a pre-arranged trade
 - Tradition brokers were guided towards certain counterparty by the instigator of the trade
 - The notional trade size is significantly larger than this client would usually transact
 - There are aspects that relate to the transaction that could be considered as unusual for this counterparty and/or this product such as a sudden increase in trading activity
 - The counterparty is acting on the behalf of a customer particularly a new or unknown customer
8. That Front Office staff do not communicate or convey to Credit Risk personnel any form of inducement, pressurised or repetitive request in relation to:
- The time period for consideration and analysis that is undertaken for credit limit extensions or one off approvals
 - Any time pressures relating to trade execution requirements such as a client threatening to “pull an order” or “trade on the other line”

9. That Front Office staff provides accurate information and answers to any additional questions and risk scrutiny as raised by credit risk personnel and are transparent with all of the information relating to counterparty and/or the nature of a security.
10. That all Front Office staff must immediately escalate any unusual or concerning incident, potential incident or on-going situation relating to Counterparty Credit Risk to their immediate front office supervisor, TLC Support and to a senior member of Credit Risk personnel. This is particularly pertinent for any form of trade failure, settlement failure or counterparty failure.
11. In any instant of the above front office supervisors should ensure of a complete documented audit trail.

9.0 Trade booking supervision and obligations

It is the responsibility of Front Office supervisors to ensure that for their business the following is adhered to:

1. There is a robust trade booking process operating.
2. That they utilise their oversight to ensure that all trade booking processes and related processes are subject to a “get it right first time” principle and that all transactions are booked in an appropriately timely manner particularly in relation to all regulatory requirements.
3. They are instigating a four eyes check principle that is embedded throughout the trade booking process. This is considered as best practice.
4. Documented Trade Booking Procedures for their business area are in place (or are being developed) and maintained.
5. These should include the establishment of a process that results in an appropriate audit trail for all amended and/or cancelled trade bookings.
6. The firm wide Risk Management System known as OneSumX is utilised to document and report all risk incidents such as trade failures, trade amendments, trade cancellations and trade errors.
7. There is a four eyes check for all post execution trade cancellations for their business area and that this check includes their own front office supervisory review. Any instance of trade error, trade difference or out trade is subject to their oversight and review.
8. That their business is adhering to all specific and applicable Error Report requirements.
9. Errors must result in immediate liquidation of any unmatched position at the next best available price as is considered best practice. Or as soon as is reasonably possible within market price availability and market conditions.
10. A Front Office supervisor is responsible for the oversight and regular review of all aspects of such trade booking procedures including all pre-trade and post trade regulatory requirements.
11. Where possible and appropriate an end of day trade check out process should be instigated to enable further opportunity to confirm transaction details.
12. It is also the responsibility of Front Office supervisors to ensure that where relevant to their business staff demonstrate a strong understanding of and full compliance with all of the requirements in relation to trading with/on Electronic Trading Platforms including any that are known as:
 - Swap Execution Facilities (SEFs)
 - Multi-lateral Trading Facilities (MTFs)
 - Organised Trading Facilities (OTFs)
 - Exchanges along with any of the related services

Where applicable these requirements often relate to trade booking processes. Therefore these include but may not be limited to:

- *Rulebooks*
- *Block Trade Trading Practices and Thresholds*

- *Trade Entry Procedures*
- *Block Trade Reporting Times*
- *All documented regulations*
- *All Standard Operating Procedures*

When applicable this can also include those operated by the CFT Group of companies including the Tradition London Group.

Examples can include but may not be limited to:

- TradX
- ParFX
- Trayport

Along with any of the applicable exchanges where examples include but may not be limited to:

- CME
- EEX
- EUREX
- ICE
- Euronext

9.1 Trade Confirmation

Front Office supervisors responsible for ensuring that:

1. There is an appropriate and efficient trade confirmation (detail), affirmation and settlement process established for their business.
2. All trades are confirmed without any undue delay and within a timeframe that is in keeping with the best market practice for the particular business and market environment.
3. That wherever it is possible a written (via a confirmation system such as Bloomberg VCON) or electronically automated trade confirmation (STP/Exchange) is sent to all relevant counterparties. Supervisors must ensure that all trades are appropriately documented and approved.
4. They supervise business activity so as to ensure that client orders/business is executed fairly and in the correct turn therefore applying the principles of best execution. This also includes taking all due care and making all possible efforts to obtain the best possible result for each and every client.
5. All staff understands and adheres to any applicable requirements relating to Trade Execution and confirmation. This may include a Tradition Espana SA Execution Policy and/or the Tradition London Group Execution Policy. Equally Front Office supervisors must maintain awareness of any Group Policies relating to Trade capture, trade execution and trade confirmation.
- 6.
7. Supervisors must supervise business so as to ensure that there is a clear segregation of duties between the Front Office trade confirmation processes and an independent and separate confirmation and settlement of trades/transactions through a back office/middle/support office function.
8. It is the responsibility of a supervisor to ensure that there is a robust process embedded within their business to ensure that every trade or transaction receives a proper and correct review so as to identify any miscommunication, misunderstanding or mistake that may have occurred during the trade negotiation process. It is the responsibility of a supervisor to ensure that all relevant broking staff is able to demonstrate that they always perform this task.
9. It is the responsibility of Front Office supervisors to maintain a strong working relationship with the relevant back office staff/contacts in order to oversee the secure and timely settlement of all transactions.

10.0 Risk event and incident capture

Front Office supervisors must ensure that for their business (es) all risk related incidents are captured within the firm wide risk management OneSumX system.

Risk related incidents include but may not be limited to:

- Trade Errors and Differences
- Credit Limit Breaches
- Brokerage/Commission charging errors
- Errors in new clients account opening process
- Market Abuse incidents
- Inappropriate conduct
- Breaches of company policy even if inadvertent

Where required front office supervisors must verify and approve to the accuracy of incident capture.

Where relevant Front Office supervisors must pro-actively identify any developing trends that occur. It is the responsibility of all Front Office supervisors to, when applicable; forge an appropriate strategy in order to remediate any escalating risk events or emerging risk trends.

11.0 Supervision of revenue and desk profitability

Front Office supervisors are responsible for the monitoring of all income streams and costs for their business or businesses.

It is therefore a supervisory requirement that they ensure of the following:

1. A strong working relationship that includes regular discussions relating to business profit/loss and all forms of desk income and costs with the Tradition Espana SA Finance Department. (and/or London when applicable)
2. That they utilise the QlikView system (and/or other medium) in order to perform a detailed review and analysis of each profit/loss report that is allocated to them in a timely manner. Ensuring that there is no longer than a two day period after the End of Month reporting date before approval or challenge is made to/with their Finance contact.
3. That if after this period of time no challenge has been made, there will be a presumption of agreement and approval.
4. That they are open to challenge from their Finance business partner and are able to adequately explain and document where required all fluctuations or changes that occur within their income flows.

This should include documented and stored explanations for outlier trades. For instance, trades that produce unusually high income, reoccurring trades with the same counterparties, unusual client trades and all instances of trades completed outside of usual market hours.

5. That documentation of discussions that occurs with their Finance business partner is stored. These may include e-mail exchanges and/or high level meeting notes/minutes.
6. That they review, challenge and refer to their Finance partner on at least a bi-annual basis in relation to all other allocated business costs such as, but not limited to, I.T/Comms, business expenses and fixed cost fees.
7. That any unexpected or unusual adjustments or entries within profit/loss streams are immediately raised with their Finance partner as a concern and that they follow up such concerns for remediation.
8. That all large adjustments to Profit/loss streams such as a provision for doubtful debt is escalated to the Tradition London Group Finance Department and receives the correct review and approval by Tradition London Group Chief Financial Officer.
9. For each applicable bonus period and allocation within their business they discuss/challenge in detail with their Finance business partner.
10. That they provide and/or obtain all applicable approvals for each allocated bonus period within the required time period. This may include the Tradition London Group Chief Financial Officer.

12.0 Supervision of staff training and appropriate knowledge

A Front Office supervisor must ensure that all staff maintains the appropriate level of knowledge in regard to Company Policy and Procedure, the applicable regulations and any applicable Exchange Rules and procedures.

It is the responsibility of Front Office supervisors to ensure that all staff who are assigned mandatory staff training modules completes them as required and within the timeframe allocated.

It is also the responsibility of Front Office supervisors through their ongoing oversight and judgment to inform relevant functions of the training needs for their business.

Front Office supervisors must ensure that all staffs attend any targeted training and awareness sessions that are offered by functions such as FORC, Compliance, Risk and HR.

Appendix

Appendix 1 - The Three Lines of Defence Risk Management Model

1st Line of Defence – The business and the “doers”

The first line of defence consists of operations and business process owners across business entities that have primary responsibility for the identification and management of the risks and controls under their remit. Therefore all of our Front Office staff including broking Business Heads, Supervisors, desk heads and desk brokers sit within the first LoD. They act as risk owners with a responsibility to be proactive: in reducing the likelihood and severity of risk events, including establishing appropriate risk controls; ensuring that when incidents occur they are recorded, reported and remediated where appropriate. The day-to-day management of certain controls are delegated to a number of support functions. These support functions include, but are not limited to: Finance, Front Office Risk Control (FORC), IT, Legal, HR, Facilities and Account Opening (FORC)

2nd Line of Defence – They Monitor, Challenge, Check and Validate

The second line of defence consists of the risk and control functions that assist the first line to establish overarching systems and processes to assess, monitor and minimise risks across the organisation, overseeing the effectiveness of the first-line risk management and control environment, and where necessary advising on and defining additional controls, mitigation or other risk management measures. The second line is responsible for challenging and formally reviewing the effectiveness of the first line in ensuring regulatory compliance and managing the risks that it incurs and owns. The second line includes the Risk Department and Compliance Department.

3rd Line of Defence – Independent Assurance

The third line of defence consists of the Audit functions, which are responsible for providing independent review and assurance of the effectiveness of the systems and controls established by the first and second lines. As a third line of defence, the Audit functions provide assurance to the Executive Committee, the Audit Committee and the Boards of Directors on the adequacy of the internal controls, risk management and governance processes.

Appendix 2 - Tradition London Group Policy & Procedures Documentation

The below provides links to policies and procedures.

Front Office supervisors and all employees that you supervise should review, understand and comply with these

Compliance

<http://intranet.tradition.int/uk/home/compliance/overview--contact.aspx>

Risk

<http://intranet.tradition.int/uk/home/risk/policies-and-procedures.aspx>

FORC

<http://intranet.tradition.int/uk/home/forc/front-office-risk--control.aspx>

HR

<http://intranet.tradition.int/uk/home/hr/culture--conduct.aspx>

Appendix 3 - CMNV Royal Legislative Decree (RLD) documentation – CNMV Rulebook



Adobe Acrobat
Document