



A/S Global Risk Management Ltd. Fondsmæglerselskab

Policy for handling conflicts of interest and internal knowledge

Last updated 16 September 2021



Revision history

Version	Revision description	Revision by and date
1.0	Newly created	
1.1	Review	June 2018/PIA
1.2	Review	December 2018/PIA
1.3	Yearly update	September 2019/BSK
1.4	Yearly update	September/October 2020/BSK
1.5	Review	September 2021/NJA

Document sign-off

Document approver	Sign-off status	Sign-off date
Board of Directors	Approved	27 June 2018
Board of Directors	Approved	20 December 2018
Board of Directors	Approved	23 September 2019
Board of Directors	Approved	21 September 2020

Abbreviations

Abbreviation	Description
AML	Anti-Money Laundering
BH	Bunker Holding
BO	Back Office
CCP	Central Counterparty
CDD	Customer Due Diligence
CRS	Common Reporting Standard
GDPR	General Data Protection Regulation
EDD	Enhanced Due Diligence
EMIR	European Market Infrastructure Regulation
FATCA	Foreign Account Tax Compliance Act
FPA	Fixed Price Agreement
GRM FS	A/S Global Risk Management Ltd. Fondsmæglerselskab (investment company)
GLBA	Global Bank (financial counterparty when hedge with group internal trade desk)
GP	Global Positions
IP	Investor protection
IPA	Investor Protection Act
KYC	Know your customer
MAR	Market Abuse Regulation
MIFID	Markets In Financial Investment Directive
ML	Money Laundering
MO	Middle Office
M2M	Mark to market
OEA	Act on Order Execution
ERM	Energy Risk Manager
OTC	Over The Counter
SOA	Statement of Account
TF	Terrorist Financing



Table of Contents

- 1. Introduction 5**
- 2. Purpose and scope of this document 5**
- 3. External regulation and internal procedure 5**
 - 3.1 Danish regulation 5
 - 3.2 Market Abuse Regulation 5
- 4. Duty of attention and monitoring 6**
- 5. Definitions 6**
 - 5.1 Conflicts of interest 6
 - 5.2 Internal knowledge 7
 - 5.3 Insider trading 7
 - 5.4 Compensating measures 7
- 6. Identified risk areas for conflicts of interest 7**
 - 6.1 Onboarding/AML/KYC 7
 - 6.2 Credit 8
 - 6.3 Investment services and trading 8
 - 6.4 Post-trade activities 10
 - 6.5 Internal knowledge 10
- 7. General guidelines to avoid conflicts of interest 10**
 - 7.1 Onboarding/AML/KYC 11
 - 7.2 Credit 11
 - 7.3 Investment services/trading 11
 - 7.4 Post-trade activities 11
 - 7.5 Internal knowledge 11



1. Introduction

When GRM FS provides investment services there may be a risk of conflicts of interest between GRM FS and its clients, between different GRM FS teams or between clients.

Being an investment company included in the Danish financial regulation GRM FS must identify any such conflicts of interest and give provisions as to how to handle them and implement compensating measures.

Further, GRM FS must comply with the Market Abuse Regulation as for the special conflict of interest that may arise if GRM FS employees are in possession of internal knowledge.

2. Purpose and scope of this document

The purpose of this document is to identify any conflict of interest that may arise when GRM FS provides investment services as well as to set the guidelines for handling any such conflict. Thus, within each area of investment services and/or in each relevant step in the value chain of GRM FS this document will specifically address the conflict of interest and advice on compensating measures that must be implemented.

A special conflict of interest arises when persons involved in the provision of investment services possess internal knowledge. Being an investment firm trading financial instruments and otherwise acting on the financial markets GRM FS is included in the scope of the Market Abuse Regulation and must take precautions as to identify and prevent the risk of exploiting internal knowledge when trading or providing other investment services.

The goal is that each employee in GRM FS is aware of any risk of conflicts of interest and knows how to act in the best interest of the client. Further each employee involved in trading must be aware of possible risk events regarding internal knowledge, and how to act appropriately in order to avoid conducting insider trading.

3. External regulation and internal procedure

3.1 Danish regulation

The essential rules regarding conflicts of interest are included in different acts and guidelines:

- The Danish Act on Financial companies¹ determines that GRM FS must be able to identify and inform clients on potential conflicts of interests that could have an adverse effect on clients' interests.
- The Danish guideline on operating and managing financial companies determines that the company must implement policies and procedures in order to identify and handle conflicts of interest².
- The Danish guideline on the organisation and operation of companies trading financial instruments requires GRM FS must take all relevant precautions to identify and prevent or remedy any conflicts of interest³.

3.2 Market Abuse Regulation

The rules on the special conflicts of interest that may arise in case of internal knowledge and insider trading are included in the Market Abuse Regulation⁴.

¹ Lov om Finansiell Virksomhed 1447 af 11. september 2020, §72, stk. 2, nr. 2.

² BEK 1026 af 30/06/2016 om ledelse og styring af pengeinstitutter, §11.

³ BEK 921 af 26. juni 2017 om de organisatoriske krav til og betingelser for drift af virksomhed som værdipapirhandler, § 9.

⁴ MAR-regulation 596/2014



The articles 7-10 include the definitions for internal knowledge, insider trading and the distinction between legal activities and non-authorized disclosure of knowledge. Article 14 contains the specific prohibition of insider trading and non-authorized disclosure of knowledge.

The market abuse regulation also includes rules that GRM FS must comply with when GRM FS is distributing recommendations or other reports that comments on the current or future price of a financial instrument. The market abuse regulation is supplemented by the technical standards for objective distribution of recommendations⁵.

4. Duty of attention and monitoring

The individual members of the management team are responsible for the monitoring and registration of potential and actual conflicts of interest according to their area of responsibility:

- The CFO is responsible for the identification, handling and registration of conflicts of interest within the areas of
 - Onboarding
 - Credit
 - Post-trade activities.

- The CCO is responsible for the identification, handling and registration of conflicts of interest within the areas of
 - Investment services
 - Trading
 - Internal knowledge/insider trading.

Compliance is responsible for the maintenance of maintaining the records of potential and actual conflicts of interests as well as to update the list of persons with potential possession of internal knowledge. If compliance controls reveal any unregistered or unidentified conflict of interest, compliance must bring this to the attention and immediate handling of the respective management team members.

5. Definitions

The following definitions are essential to this policy and the related procedures:

5.1 Conflicts of interest

A conflict of interest may arise when GRM FS, GRM FS teams and/or clients have opposite or conflicting interests. Potentially, conflicts of interest when trading financial instruments with clients could arise, if

- A trader or a trading company trades or recommends a trade that is not in the best interest of the client from an executional or hedging perspective

- If a trader or trading company trades or recommends a trade that gives the company a financial benefit on the expense of the client

- If a trader or trading company have incentives to give preferential treatment to one client over others.

⁵ MAR-regulation 596/2014, article 20 and regulation no. 2016/958.

For specific conflicts of interest as identified in GRM FS please refer to section 6 below.

5.2 Internal knowledge

Knowledge that is specific and is expected to have an effect on the price of a financial instrument or commodity spot contract, including

- Specific knowledge, that is not published and that could have a noticeable effect on the price if published
- Knowledge obtained from a client on trades not yet processed, and the knowledge refers to one or more financial instruments and would have a noticeable effect on financial instruments or spot contracts if published.

A noticeable effect is expected if a rational investor would act differently upon the knowledge in question.

5.3 Insider trading⁶

When a person possesses and exploits internal knowledge to trade or recommends another person to trade, abstain from trading or otherwise act on this internal knowledge and thus obtains an unfair advantage from this internal knowledge.

5.4 Compensating measures

Means implemented in IT systems, guidelines, procedures or controls as to prevent or mitigate the risk of conflicts of interest.

6. Identified risk areas for conflicts of interest

Within the following business areas specific conflicts of interest are identified and implemented compensating measures are provided for.

6.1 Onboarding/AML/KYC

Conflicts of interest may arise, when

- a. ERMs push for trades before KYC and onboarding is complete.
This may constitute a conflict of interest between GRM FS and the client, if at that point in time GRM FS does not have sufficient information to categorise the client, determine a product range and provide appropriate means of investor protection.
- b. ERMs and/or clients may be pushing for trades before KYC and AML/TF risk assessments are complete. Thus, the clients' and/or ERMs' incentive to trade is not necessarily aligned with AML/TF compliance.

In both instances as a compensating measure early trading must be evaluated and approved by the executive management: If the KYC information pending is sensitive to the AML/TF risk assessment the AML officer must approve of the early trading. In case of other non-essential KYC information is pending, the CEO or the CFO must approve. In both instances no payments are to be transferred to the client before KYC is complete. Further, the task of performing complete and adequate KYC is handled by the back-office team thus segregated from front office employees. Compliance monitors and evaluates the approval and documentation for any early trading.

- c. Front office pushing for trades with clients categorised as residual high risk.
The interest of front office pushing for trades may be in conflict with compliance according to AML and the AML policy of the company.

⁶ MAR regulation 596/2014: preamble 23 and article 8

As a compensating measure trading with a client that is assessed as a high-risk client according to the final risk assessment is not possible unless the AML officer specifically approves and documents the nature of the deviation from normal procedures.

d. Unfounded or non-compliant request for change in client category

With the level of investor protection rules being at its highest regarding retail clients, for the purpose of avoiding this ERMs or clients may be pushing for the client to opt-up to another client category (professional).

This may not be in the best interest of the client since the client will lose the investor protection inherent in the evaluation of suitability and appropriateness.

For the purpose of reducing this conflict of interest the initial client categorisation is based on objective criteria and handled automatically by the CRM system. Further in case a client requests to change client category – the change from retail to professional must be evaluated thoroughly according to appendix 1 to the Order on Investor Protection⁷.

6.2 Credit

Conflicts of interest may arise, when

- a. Trading commences before the credit evaluation is completed or the credit has expired, thus a conflict of interest may arise between the front office team and the credit risk mandates as set by the board. Further, it may not be in the client's best interest to trade, if financial fundamentals have changed thus not being included in the credit evaluation performed by GRM FS.

To prevent trading where there is no credit line there is a system supported full trading stop when the client framework regarding credit is exceeded.

- b. GRM FS grants credit based on insufficient or fraudulent information, despite GRM FS credit or risk policy or against the better knowledge of the employee applying for or granting the credit. Besides the credit risk a conflict of interest arises between the front office team and the company risk policy.

As a compensating measure the CRM system guides the collection of the financial information needed and the credit rating and evaluation is based on objectively determined financial ratios as well as qualitative evaluations of the client. Further, the task of credit approval is segregated from the ERMs so that no one person can apply and approve. The compliance function makes sample test of the rating quality.

6.3 Investment services and trading

Conflicts of interest may arise, when

- a. GRM FS provides risk management advice or distributes reports or analyses that are defined as recommendations, thus a conflict of interest may arise if the advice or recommendations are not appropriately independent.

To ensure independency when trading and providing investment advice GRM FS is

- Collecting quotes and selecting financial instruments according to the selection criteria listed in the order execution policy
- Not having close relations or being interdependent on product providers
- Not obtaining inducements from product providers or other third-parties
- Complying with the requirements for objectivity in the Market Abuse Regulation regarding recommendations.

⁷ Bekendtgørelse nr. 1580 af 17. december 2018, Investorbeskyttelsesbekendtgørelsen.



- b. GRM FS provides risk management advice without risk management agreement
ERM providing risk management advice without having the necessary client agreement and thus not complying with the necessary investor protection rules on suitability test. This could also constitute a conflict of interest, since it is not in the best interest of the client to receive advice on insufficient grounds.

To mitigate this conflict of interest ERMs are continuously urged to be aware on the distinction and the compliance risk involved. The ERMs must comment on the nature of the client dialogue and the documentation is controlled by compliance.

- c. GRM FS distributes market comments, evaluations and analyses on a regular basis
With GRM FS distributing market comments a conflict of interest may arise if content is presented in a way that urges clients to trade more than it is an objective market comment and it is not clear for the reader, what is objectively presented facts and what is subjective evaluations.

In order to prevent market comments to be misinterpreted by the client or otherwise biased, GRM FS is using a template that clearly distinguishes between presented objective facts and subjective assessments. Further, GRM FS has implemented the other content requirements according to the regulation⁸.

- d. The ERMs in the front office team are asking the group internal trading desk for quotes and trading on own account, thus there may be a conflict of interest between optimizing the group portfolio and performing best execution for the client if GRM FS is not acting independent of group interests.

To compensate ERMs have to comply with the order execution policy. If the quote collected is the best available for the client according to the selection criteria listed in the order execution policy the ERM is using this price plus a margin to trade with the client and hedge the position. The ERM has trading platforms available thus being able to compare and evaluate the collected quote to the market.

Further, the front office team is responsible for trading with clients and hedging the position traded with the client. According to risk mandates given by the executive management the front office team only holds a mandate to match a client trade with a hedge trade and is only granted a mandate to hold an open net position in order to allow for positions due to less than perfect hedges. Thus, the ERMs in the front office team do not have the incentive nor the insight or possibility to trade for the purpose of optimising an internal portfolio.

In order to prevent conflicts of interest the responsibility for the overall portfolio and the group internal trades are separated from the front office team in a different legal entity.

- e. Entering trade with exceedance of client framework other than credit
There may be an alignment of the ERMs and the client's interests to push for trading all though the client framework is otherwise exceeded.

The client framework is visible on the ERMs trading screen when they are entering the trade details. Thus, it is immediately brought to the ERM's attention through the trading screen and on-screen warnings, if the client framework is compromised in a way that invokes full trading stop and/or subsequent handling.

⁸ EU regulation: 2016/958.



For the purpose of reducing the risk of client frameworks exceedance without immediate subsequent attention, evaluation and handling the exceedance will be included in executive management reports as well as the ERM's task list.

On a regular basis, compliance monitors and performs sample tests of exceedance handling and documentation.

f. Performance dependent salaries

The salaries of the ERMs in the front office team and other significant risk takers do to some extent depend on the profit made. This could potentially create an incentive for the ERMs to push for trades not aligned with the clients' best interest or for other significant risk takers to approve of such trades.

In order to reduce this incentive, the variable share of the salary is capped and dependent on team performance measures and relevant risks.

6.4 Post-trade activities

Valuation agent position

With GRM FS being valuation agent in the financial contracts traded with clients, a conflict of interest could arise from the fact, that GRM FS itself calculates the clients' positions on price curves delivered from the group internal trading desk thus being able to make a biased valuation for liquidity or risk reduction purposes.

GRM FS is avoiding this possible conflict of interest through the use of prices delivered from third- parties. On a daily, weekly and monthly basis GRM FS is using these third-party prices to control that the prices used for valuations are not deviating beyond predefined ranges from the third-party prices. GRM FS subscribes to prices from several different independent third-party price providers.

6.5 Internal knowledge

Use of internal knowledge

When providing risk management advice or otherwise getting client insights and being a part of the Bunker Holding Group, ERMs or other GRM FS employees could obtain information on clients, demand/supply on specific locations with low liquidity etc. that could theoretically be used as an unfair advantage when trading. Further, when performing the credit evaluation/credit renewal of clients in the shipping or supplier segment Bunker Holding is asked to comment on the creditworthiness of the client.

The risk of insider trading in GRM FS for the purpose of getting a personal gain is however limited. GRM FS does not trade with natural persons, and it is not possible for the ERMs or other relevant persons such as the executive management to trade on their own personal behalf.

However, to prevent the ERMs or GRM FS from taking advantage of knowledge or pass on knowledge that could have an effect on the financial instruments or underlying asset prices if they were to be disclosed, the regulative instruments such as insider lists are implemented and ERMs are made aware of the definition of internal knowledge and the distinction between insider trading and legal behaviour.

Further, in all other aspects than credit comments no client or demand/supply information is exchanged between GRM FS and group entities.

7. General guidelines to avoid conflicts of interest

The identified specific risk areas where conflicts of interest may occur give rise to the following specific guidelines that is to be applied in the relevant business areas.



7.1 Onboarding/AML/KYC

- Trading may not commence when onboarding/KYC is not complete unless this is approved and well documented by the executive management
- ERMs or others may not urge clients to opt-up to a client category with a lower level of protection.

7.2 Credit

- Trading may not commence or continue if the credit evaluation is not complete or the credit has expired
- Credit approval is always separated from credit evaluation and approval is granted according to the mandates given by the board in the credit policy.

7.3 Investment services/trading

- The front office team must at any time act independently of the position of the group internal trade desk
- ERMs must in all instances act according to the order execution policy and document if the normal selection criteria or collection of quotes are disregarded
- ERMs must at all times be aware and secure documentation of the nature of the client dialogue or client request in order to ensure, that clients receiving risk management advice are treated accordingly.

7.4 Post-trade activities

Prices used to value client positions are compared and variance tested against third-party prices on a daily basis and on a weekly basis and at settlement the prices used are compared to several third-party prices.

7.5 Internal knowledge

- Sharing of client information between GRM FS and other group companies on joint clients is only allowed due to normal course of business, for instance when
 - Necessary for credit evaluation purposes
 - Joint sale activities towards the client.
- It is not allowed for ERMs to trade with clients to whom they somehow have close relations
- ERMs must immediately disclose to the sales director, if they are in some way closely connected to client companies.