

Deutsche Börse Group

# Principles on the management of conflicts of interest at Deutsche Börse Group

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## 1 Introduction

This document provides an overview of the framework implemented and the principles applied at Deutsche Börse Group (“DBG”) to manage conflicts of interest.

DBG operates globally, organising financial markets and providing market participants with the infrastructure for all areas of the securities and derivatives business. This includes pre-trading, i.e. the provision of indices and dissemination of market data, services for trading and clearing of investment instruments, and post-trading, i.e. services regarding settlement of financial transactions and custody of financial instruments, as well as services for collateral management and liquidity management and the development and offering of IT services on a global scale.

At the core of DBG operations, there is its commitment to transparency, market integrity and investor protection. DBG operates in a highly regulated and complex environment and aims to prevent unlawful or unethical conduct in any business relationship while creating and maintaining a transparent level playing field for its customers.

Being a market infrastructure provider with broad interaction regarding major market participants along the value chain, the potential for conflicts of interest is inherent in DBG’s business. Moreover, individual employees may be subject to circumstances in their professional as well as personal lives that create the potential for conflicts of interest. Thus, it is of utmost importance that DBG can identify and effectively manage potential or actual conflicts of interest between itself (including its management body members, employees, or any persons closely associated to them) and third parties.

Conflicts of interest may arise in situations in which the interests of one party interfere with (or appear to interfere with) the interests of another party. This may impair the ability of one or both parties to act fairly and ethically, i.e. its objectivity to take a decision to be taken in the course of its professional obligations. A conflict of interest by itself is not evidence of wrongdoing. However, a conflict of interest can become a serious legal, regulatory or reputational issue if it is not identified and managed effectively.

## 2 Scope of application

The framework implemented at DBG to identify, manage and record (potential) conflicts of interest applies to:

- Members of management bodies<sup>1</sup> as well as employees<sup>2</sup> of DBG entities and
- DBG entities.

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<sup>1</sup> Irrespective of whether they act in their executive function (e.g. Executive Boards) or supervisory function (e.g. Supervisory Boards)

<sup>2</sup> Including interns, apprentices, students, temporary staff and any other person who acts on behalf of or for a DBG entity

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### 3 Potential sources of conflicts of interest

Conflicts of interest may arise – on a personal or on a corporate level – between

on the one hand		on the other hand
DBG in its different roles, including through different affiliates with multiple responsibilities	and	one or more third parties (e.g. past, current or prospective) customers, service providers or competitors
members of management bodies or employees of DBG entities or persons closely associated (linked) with them	and	one or more third parties (e.g. past, current or prospective) customers, service providers or competitors
members of management bodies or employees of DBG entities or persons closely associated (linked) with them	and	DBG
a DBG entity	and	another DBG entity
a third party	and	another third party
in the context of services provided by DBG to them (conflict of interest between two DBG customers)		

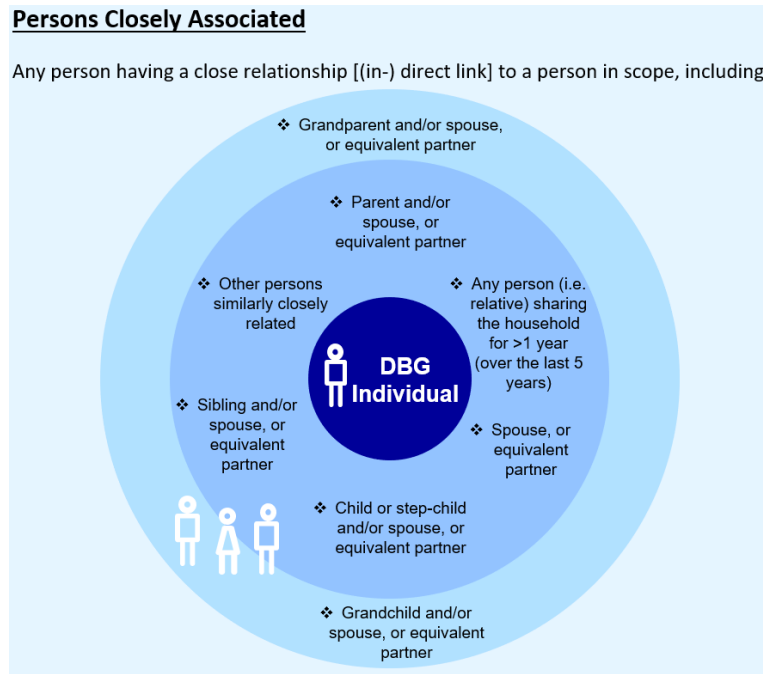
A **personal conflict of interest** originates from a source beyond the individual's professional obligations (outside business interests), interferes with his or her individual objectivity to take decisions or to participate in decision-taking processes that are professionally required in the interests of DBG or its customers.

Taking into consideration past personal or professional relationships and outside business interests that may (still) have an impact on current professional behaviour or decisions, situations possibly entailing personal conflicts of interest may include personal, professional or economic relationships with other persons such as:

- Secondary employment/external mandates (remunerated or not),
- Further internal mandates and role(s) within DBG,
- Financial interests (deriving from e.g. participation of at least 5% in a third party, for example a shareholder or competitor of DBG or a Group entity, from loans or investment club memberships),
- Interests of persons closely associated, e.g. family members.

Persons who are considered to be closely “associated” are persons having a closed relationship or (in-)direct link to a person in scope, for example:

- Grandparents, parents, siblings, spouses, children or stepchildren, grandchildren,
- Spouses or equivalent partners of the employee or any of the persons closely associated as mentioned above,
- Any person (i.e. relative) sharing the household for more than one year (over the last five years),
- Other persons similarly closely related.



Personal interests may also be the source of corporate conflicts of interest, e.g. by an individual holding several mandates in two different entities, thus creating conflict potential for this person, and also on a corporate level for one or even both of these entities, e.g. in the context of services provided by one entity to the other.

Furthermore, **corporate conflicts** of interest may arise in the context of:

- Relationships between different DBG entities/DBG areas following different mandates and strategies,
- Fee arrangements with respect to services provided by one DBG entity to another (e.g. in the context of outsourcing arrangements) or to a customer,
- Services to customers with DBG taking up different roles,
- New business relationships (business strategies, services, products) entered by DBG.

Depending on the respective business model, specific conflict potential may arise for certain DBG entities, such as:

- For operators of trading venues: between themselves and their customers, e.g. in the context of suspending/removing a financial instrument from trading on a trading venue.
- For investment firms: between themselves and their customers, or between one customer and another, e.g. in the context of providing investment and ancillary investment services (or combinations thereof) including those caused by inducements, remuneration and other incentive structures.
- For Central Counterparties (CCPs): between themselves and their clearing members or the clearing members' customers (if known to the CCPs), CCP advisors or other CCPs.

- For Central Securities Depositories (CSDs): between themselves and their participants or their participants' customers (if known to the CSDs), particularly when providing core services as well as banking-type ancillary services.
- For index administrators: between themselves and contributors or users, e.g. by non-application of objective and transparent benchmark criteria.
- For data reporting services providers: between themselves and customers purchasing data from them or using their services to meet their regulatory obligations.

#### 4 General principles and responsibilities

Dedicated principles shall ensure DBG's compliance with applicable laws and regulations and protect DBG, its employees and members of the management bodies against legal and regulatory sanctions, damage to reputation and loss of confidence among customers and other third parties.

In the context of the role performed at DBG, all persons in scope shall act with honesty, objectivity, personal responsibility and in accordance with the highest standards of integrity through their professional and personal behaviour. They shall respect all applicable laws and regulations in all relevant jurisdictions. They shall carry out their professional duties with due skill, care and diligence, in the fair interests of their customers and the integrity of the market. As a core principle regarding any business activity of DBG, all customers shall be treated fairly at all times.

Persons in scope are not permitted to take any decisions in their own interest, or in the interest of third parties, other DBG entities or persons closely associated to them, where such decisions are not in line with or contrary to regulatory requirements or DBG's interests.

Furthermore, they shall in particular abstain from activities that compete with activities of DBG, from grasping any business opportunities to the detriment of DBG, as well as from any kind of misuse of inside information or other sensitive, non-public information obtained in the course of their professional responsibilities, or of their professional position, for their own personal gain.

They shall contribute to identify, appropriately manage and document (potential) conflicts of interest.

Employees may, as a counterparty, not enter into a contractual arrangement with DBG, regardless of the nature of the agreement, e.g. provision of services, purchase, secondary employment or loan, except if the respective line manager and Group Compliance formally approve such contractual arrangement or where the nature of such contractual arrangement excludes any potential disadvantage of DBG (dealing at arm's length at market prices, etc.).

The management bodies of DBG entities establish, approve and oversee the implementation and maintenance of effective organisational and administrative arrangements to identify, prevent, assess, manage, mitigate and/or make transparent (potential) conflicts of interest.

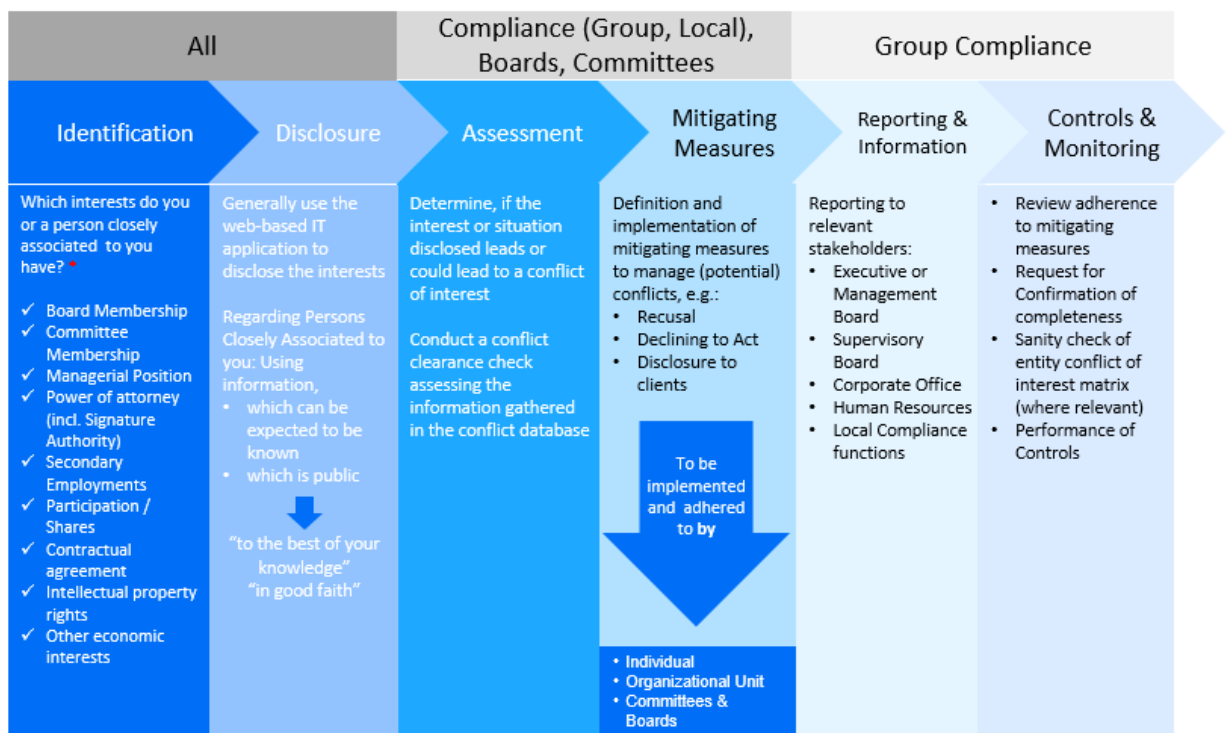
Within DBG, Group Compliance, the Compliance function of Deutsche Börse AG, has been mandated to maintain the framework established to manage conflicts of interest and is responsible for the implementation of the respective policy and procedures, awareness raising measures, advice regarding

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and assessment of notified situations entailing (potential) conflicts of interest, including the definition of appropriate mitigating measures taking into account implications on group level, as well as relevant reporting to management and regulators, where applicable. Group Compliance is supported by local Compliance functions of established for certain DBG entities, which shall be directly involved within their respective areas of responsibility, and in turn have the responsibility to directly involve Group Compliance in conflict-related issues.

## 5 Conflicts of interest management

When identifying a situation where a (potential) conflict of interest cannot be avoided, appropriate actions to manage, document and, as applicable, report this situation shall be taken.



\* Also to be considered: past personal or professional relationships and outside business interests that may (still) have an impact on the individual's behaviour or participation in decision-making processes at DBG

### 5.1 Identification

Persons in scope are required to consider any circumstances which may give rise to a conflict of interest and of which, to the best of their knowledge, they are aware or should take note of.

Furthermore, generic checks supporting the identification of (potential) conflicts of interest are implemented in various processes and procedures in DBG, i.e. in the context of recruitment, the implementation of new products and services, and procurement.

## 5.2 Mitigating measures

General preventive measures include the creation and regular update of a policy on conflicts of interest establishing groupwide standards as well as entity-specific requirements, internal procedures as well as a tool-based solution supporting the processes of notification, assessment and documentation. Awareness-raising measures are conducted on a regular and ad hoc basis to ensure that persons concerned are able to identify and manage (potential) conflicts of interest in an appropriate manner.

Furthermore, the following mitigating measures need to be taken, generally or on a case-by-case basis (non-exhaustive list of examples).

### Notification, transparency

Persons in scope are required to notify Group Compliance of any situation (potentially) leading to conflicts of interest for support, advice and further assessment – to the extent this is possible prior to entering into the relevant situation.

In addition, members of management bodies and members of committees are required to inform the chair of the body of any conflict of interest (or of their recusal from a specific situation because of a conflict situation). If the chair also faces a (potential) conflict of interest, the vice-chair, or, where there is no vice-chair, the respective body as a whole shall be informed. In case an executive board member is conflicted, the respective supervisory board shall also be informed.

Pre-approval processes have been established with regard to scenarios bearing specific risks, such as secondary employment, (external or internal) mandates, personal account dealing and the granting or receiving of benefits (e.g. gifts and business entertainment, inducements).

Also, alternative reporting processes have been established, in case persons in scope would like to report conflict of interest breaches outside regular notification processes, e.g. via the whistle-blower hotline, in order to protect the personal data of both the person who reports the breach and the person who is allegedly responsible for the breach.

### Segregation, independence

Where a risk of conflicts of interest may arise within DBG, duties and business functions are separated. Furthermore, zones of confidentiality, virtual and physical information barriers (“Chinese Walls”) have been implemented to avoid and to control the exchange of information and to allow for the respective duties, functions and areas to operate with the appropriate independence.

Special attention is given to the role of each management body, which shall be clearly defined and delineated to prevent or mitigate overlapping competencies and to allow for independence of mind for its members.

Another focus lies on specific committees, such as the risk committee of a CCP, and oversight functions as set up for benchmark administrators, whose members shall be independent of any direct influence in order to ensure that any judgement/discretion is independently and honestly exercised. To

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a certain extent, this also applies to members of the (risk, audit and remuneration) committees of CSDs.

Independence and specifically independence of mind are also relevant for the setup of internal control functions and the respective officers (Risk, Compliance, Internal Audit), particularly where these functions are shared within DBG.

### **Recusal, exclusion, termination**

In certain constellations, it will be necessary for a person in scope to not enter into a specific conflict situation. Appropriate mitigating measures may be for example:

The conflicted person itself declares to – temporarily or definitively – abstain from relevant discussions, negotiations, (business) decision-making or voting processes, meetings of boards or committees or any other situation maintaining or enforcing the respective conflict situation (Recusal).

Also, as a mitigating measure taken from an organisational perspective, the conflicted person may be:

- Excluded from any sensitive information relevant in the context of the conflict situation,
- Excluded – temporarily or definitely – from relevant discussions, negotiations, decision-making or voting processes, meetings of boards or committees or any other situation maintaining or enforcing the respective conflict situation,
- Exempt from (parts of) its duties (which may be assigned to another non-conflicted person), e.g. by restricting its representation duties towards third parties and/or DBG (e.g. regarding outsourcing arrangements).

As measures of last resort (ultima ratio), further measures may include the termination of situations or constellations creating an unmitigable conflict of interest, such as:

- A mandate, function, role or employment contract,
- DBG services, activities or relationships (this may occur for example, when a situation involves competing interests of two customers, and those interests are conflicting or will conflict).

If the (potential) conflict situation concerns a member of a management body or a committee, the respective chair (or, if the chair is (potentially) conflicted, the vice-chair or, if non-existent, the management body or committee as a whole), supported by Compliance, decides on the mitigating measures to be taken.

### **Checks, controls and monitoring**

In addition to the establishment of policies and procedures (e.g. pre-clearance processes), generic measures have been implemented, such as the application of the four-eye principle and the three-lines-of-defence model. Furthermore, checks, controls and monitoring measures have been set up, i.e. with regard to

- Adherence to measures defined to manage a conflict situation,
  - Appropriate handling of benefits, such as gifts, business entertainment or inducements,
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- Remuneration,
- Prevention of market abuse.

### 5.3 Disclosure to customers

Lastly, in exceptional cases, organisational or administrative arrangements to mitigate conflicts of interest may not be sufficient to ensure, with reasonable confidence, that risks of damage to customer interests (or those of other third parties) will be prevented. In such cases, the general nature and/or sources of conflicts of interest shall be clearly disclosed to the affected customer (or another third party, before entering into a business relationship or undertaking business on its behalf to seek its consent to act.

In some cases, publication on the DBG entity's homepage and/or disclosure to the national competent authority may be required.

However, such disclosure to a customer cannot replace potential mitigating measures. It generally can only serve as a measure of last resort. In some jurisdictions, disclosure may even be prohibited.

### 5.4 Documentation and reporting

All information, i.e. notifications and assessments of conflicts of interest and respective mitigating measures defined, is documented and archived in a web-based IT application in accordance with respective data protection provisions.

This database serves for the persons in scope to view and process their information, for Compliance to document its assessments and for monitoring. Furthermore, it is the source for (regular and ad hoc) reporting to management bodies of DBG as well as to national competent authorities in accordance with regulatory requirements. Such reporting may take the form of conflict registers as required e.g. for central counterparties, central securities depositories and benchmark administrators.

If a conflict of interest arises in relation to a member of a management body or a committee, notifications, assessments and respective mitigating measures shall also be recorded in the minutes of the respective meeting.

## 6 Version record

This document is owned by Group Compliance. It is subject to annual review.

Version	Date	Remark
1.0	September 2020	Initial Version supplementing or replacing the general information previously published regarding the topic on the Deutsche Börse Group homepage