



Statement of Guidance

Market Conduct – Securities Investment Business

1. Statement of Objectives

The SIBL regime seeks to protect investors, to ensure fair and transparent markets and to reduce systemic risk. Thus, it is fundamental that licence holders act with highest professional standards in its dealings both with clients and market participants.

2. General

The nature and conduct of a license holder's business should not be such as may in the opinion of the Authority bring the Cayman Islands into disrepute or damage its standing as a financial centre.

3. Informed Investment Decisions

A license holder should take all reasonable steps to enable clients to take informed investment decisions and should avoid making misleading or deceptive representations or practices. This includes not making a recommendation which may be motivated largely by the benefits which it may bring to the license holder, unless the transaction is demonstrably to the client's advantage.

4. Conflicts of Interest and Independence of the License holder

4.1. A license holder should seek to avoid conflicts of interest. Where conflicts do arise, clients should be dealt with fairly and should be informed by way of disclosure in order that an informed investment decision can be made. It is a duty of management to attempt to establish means of controlling the conflicts that do arise.

4.2. There are many ways of managing conflict of interests and they may vary according to the situation and transaction at hand. Methods of Managing



Conflicts may include:

- Disclosure
 - Declining to Act
 - Chinese Walls
 - Independence Policy (see below)
- 4.3. A license holder should not claim that it is independent or impartial if it is not and it should ensure that any claim it makes as to its independence or impartiality adequately discloses the facts relating to the specific transaction. Where a firm has material interest in a transaction to be entered into with or for a customer, or a relationship that gives rise to a conflict of interest, a license holder must not knowingly either advise or deal in the exercise of discretion unless it takes reasonable steps to ensure fair treatment for the customer.
- 4.4. A license holder can use a written policy (independence policy) that requires staff to disregard material interests or conflicts of interest and always put the interest of the customers first. A written policy is however not of itself sufficient to ensure fair treatment for customers and the license holder should take other steps, such as specific disclosure to ensure compliance.
- 4.5. A license holder should seek to avoid conflicts of interest. Where conflicts do arise, clients should be dealt with fairly and should be informed by way of disclosure in order that an informed investment decision can be made.
- 4.6. A license holder should not advise a client to use the services of another person who is an associate of the license holder without disclosing that relationship.