

Managing Conflicts of Interest

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INTRODUCTION

Jefferies International Limited (“Jefferies”) is responsible for taking all reasonable steps to identify and manage any conflicts of interest in its business that might arise between itself and its clients and between one client and another. This document (the Jefferies “Conflicts Policy”) identifies the potential conflicts of interest that may arise in Jefferies’ businesses and summarises the controls implemented by us to manage any such conflicts of interest. Jefferies is deeply committed to maintaining the highest of ethical standards and complying fully with its regulatory and legal obligations. Compliance with this Conflicts Policy is a requirement of the employment contract of every employee and any breach may lead to disciplinary proceedings, up to and including dismissal.

IDENTIFICATION OF POTENTIAL OR ACTUAL CONFLICTS

What is a “Conflict of Interest”?

A conflict of interest may arise where Jefferies, or one of its employees, is providing a financial service to its clients, or engaging in activities on their own account, which may entail a material risk of damage to the clients’ interests, for example where Jefferies or its employee:

- could make a financial gain, or avoid a financial loss, at the expense of the client;
- has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client’s interest in that outcome;
- has a financial or other incentive to favour the interest of another client, or group of clients, over the interests of the client;
- carries on the same business as the client; or
- receives or will receive from a person other than the client, an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

Jefferies and its subsidiaries and affiliates are involved in a full range of services including investment banking, sales and trading and wealth and asset management activities. As such Jefferies has identified the following activities which may lead to conflicts:

- dealing as principal for its own account by selling an investment to a client or buying it from a client, or being a market-maker or otherwise having a holding or dealing position in the investment concerned or an associated investment;
- providing services to one client in relation to an investment in which another client is entering into transactions;
- matching one client's transaction with that of another client where Jefferies is acting or seeking to act as agent for (and to receive and retain commission or other charges from) both parties;
- having other business relationships, including investment banking relationships, with the company, or a related entity, in relation to whose securities a client is entering into transactions;
- being involved as financial adviser, broker, nominated adviser, sponsor, underwriter or otherwise in a new issue, underwriting, rights issue, takeover or similar transaction concerning an investment, or the issuer of an investment or a related investment;
- receiving payments or other benefits for giving business to a manager of a collective investment scheme in which Jefferies recommends wealth management clients invest;
- receiving payments or other benefits for giving business to a firm with or through which a client's order is placed or executed;
- being the financial adviser to a company whose securities Jefferies is recommending clients buy or sell;
- being the financial adviser in relation to the same target to clients who are direct competitors of one another; and
- producing research on a company where Jefferies also provides corporate finance advisory services to, or deals on a principal basis in the shares of, that company.

This list is not exhaustive and employees of Jefferies must consider all services and activities carried out by the firm in order to identify any conflicts that may arise.

MANAGING CONFLICTS

Jefferies has established a number of internal policies and procedures to manage conflicts of interest. These policies and procedures, which are designed to ensure the required level of independence, are the subject of ongoing monitoring and review processes and include, but are not limited to:

Information Barriers

Information Barriers, which are also often referred to as "Chinese Walls", are a system (which includes rules, procedures and physical segregation and organisational arrangements) designed to ensure that certain information produced or acquired by employees in one part of Jefferies' business is not shared with employees in another part of Jefferies. Information Barriers aim to manage conflicts of interest by ensuring that a client's confidential information is not used for the benefit of others and by ensuring that advice and other services are provided to clients independently of Jefferies' interests. In general, those employees behind one side of the Information Barrier have no knowledge of confidential information or transactions taking place on the other side of the Information Barrier. Each set of persons behind an Information Barrier will, therefore, be wholly unaware of, and able properly to operate without regard to, a conflicting interest outside their side of the Information Barrier and inside the other.

In addition to establishing Information Barriers, Jefferies has adopted certain surveillance procedures designed to detect activity that might give rise to suspicion that the integrity of any Information Barrier might have been breached.

Confidential Information and the "Need to Know" Policy

It is Jefferies' policy that all non-public information obtained from a client or potential client or other source which has been provided in the expectation that it will be kept confidential shall be treated as confidential and shall not be shared with any other company or individual. Jefferies employees may not disclose any such confidential information to any person who is not an employee unless required by the terms of a transaction or relevant law or regulation. The dissemination of confidential information within Jefferies is at all times subject to established Information Barriers.

Jefferies operates a "need to know" policy. Under the terms of this policy, confidential information may only be disclosed to those persons who need it to serve the legitimate interests of the firm and its clients and who can be expected to keep it in confidence in accordance with the policy regarding Information Barriers.

Research

Jefferies issues investment research on UK and European equities which is intended to be objective and impartial. Investment research may take the form of reports on specific companies or industries, or strategy reports containing references to particular companies or issuers. All investment research must be clear, fair and not misleading. Jefferies has in place policies and procedures to manage effectively the conflicts of interest that may arise in the preparation and distribution of investment research. These policies and procedures are contained in the Jefferies policy entitled "The Management of Conflicts of Interest in Connection with Investment Research". This policy is available upon request from the Jefferies Compliance Officer.

Personal Account Dealing

All personal securities transactions on behalf of Jefferies employees and employee-related accounts must be: i) executed in accounts maintained at Jefferies or at an approved broker; ii) pre-approved where required by Jefferies' policies and procedures, and iii) in compliance with all Jefferies policies and procedures, including without limitation, those regarding inside and proprietary information, information barriers, watch list and restricted list, holding periods and conflicts of interest. Jefferies employees are expected to devote their full time and efforts to serving the firm's interests and those of its clients. In addition, no person may use his or her position as a Jefferies employee, or information acquired during employment with Jefferies, to make personal investments that may create a conflict, or the appearance of a conflict, between the employee's personal interests and those of Jefferies or its clients. Absent an exception from the Jefferies Compliance Officer, Jefferies employees are not permitted to execute personal account transactions in securities that the employee trades or holds on behalf of Jefferies, in securities which are the subject of investment advice given by the employee (unless they are widely traded on a regulated market) or in issuers of securities for which the employee is handling a marketable customer order. Failure to comply with Jefferies' employee trading policy or procedures may be grounds for disciplinary action, including termination of employment.

Outside Activities

Jefferies employees are required to devote their full time and efforts to the business of the firm and to avoid activities that might interfere or conflict with, or appear to interfere or conflict with, the employee's responsibilities to Jefferies and its clients. Unless approved in advance in writing by Jefferies, employees may not engage in any outside employment, positions, associations or business activities. Jefferies will take into consideration the following factors, among others, when reviewing an employee's request to engage in outside activities: i) does the outside activity conflict with, or appear to conflict with, Jefferies' interests or those of a client; ii) does the outside activity present a substantial risk of confusing clients or others as to the capacity in which the employee is acting (i.e., on behalf of Jefferies, the employee personally or on the behalf of others); or iii) does the outside activity require a substantial amount of the employee's time during the business day?

Gifts and Entertainment

Jefferies has adopted a “no business gift” policy. This means that Jefferies employees may not, directly or indirectly, give or permit to be given, anything of value, including gifts, gratuities, use of property or other goods or services to any client that is business related. This policy applies even if the employee pays for the gift personally and doesn’t seek reimbursement from the firm. Jefferies employees may not accept or allow family members to accept, in the context of their employment with Jefferies, any benefit, including hospitality and gifts, from any person that does business with Jefferies that is excessive because of its nature, cost or frequency. If an employee receives a gift that is not excessive, he or she must report this gift to the Jefferies Compliance Department for inclusion in the Jefferies register of gifts.

Jefferies believes that appropriate entertainment of clients is a normal part of its business and provides opportunities to build relationships with those clients that foster the trust necessary for good business. Employees are always expected to use common sense when making decisions related to business entertainment and must bear in mind that their actions at all times reflect on Jefferies as well as themselves.

Allocation of Securities

Client orders must be dealt with sequentially and in accordance with the timing of their reception by Jefferies. They must be accurately recorded and allocated. Jefferies and its employees must not misuse information relating to client orders. If one or more client orders are aggregated with a transaction for Jefferies’ own account, the trades must not be allocated in a manner detrimental to any client. If the aggregated order is only partially executed, the trades must be allocated to the clients in priority to Jefferies unless it can be demonstrated that the price obtained was significantly improved because of the aggregation of Jefferies’ order with those of the clients. Unfair precedence should not be given to Jefferies or to any particular client.

Independence Policy

It is the policy of Jefferies that where it and/or its employees are carrying on investment business Jefferies will disregard any material interest which it or any of its subsidiaries or affiliates may have when making recommendations or arranging transactions with or for its clients. This policy ensures that in providing services to clients, Jefferies employees act independently of any interest that may conflict with the duties owed to different clients or between Jefferies and its clients. This means that all employees must disregard any of the following interests and must not allow the existence of such interests to influence them when dealing with clients or potential clients:

- any personal interests which they or members of their family may have. Where appropriate, a client should be advised of such an interest, notwithstanding this policy;
- any existing, proposed or prospective business relationship between Jefferies and any third party;
- any agreement or transaction which has been, will or may be, entered into by Jefferies; or
- the holding by, interest or position of Jefferies in any investments issued by the client or any third party.

The above examples are not exhaustive and Jefferies and its employees are required at all times to consider the need to act independently of any conflict.

Disclosure

Jefferies shall use all reasonable efforts to manage any conflict of interest, but if those efforts are not sufficient to ensure, with reasonable confidence, that the risk of damage to the interests of a client will be prevented, Jefferies shall, where appropriate, disclose the general nature and/or source of the conflict of interest in writing to the client before undertaking business for the client. When considering whether it is appropriate to disclose a conflict of interest to a client, Jefferies shall take into account the status of a particular client and whether it is likely to understand the risks involved if it continues to deal with Jefferies. Any disclosure shall contain sufficient information to allow the client to make an informed decision.

It is Jefferies’ policy to disclose all material interests or conflicts of interest to the client whether generally or in relation to a specific transaction before it deals on behalf of a client, through its standard Terms of Business. This disclosure is made even where Jefferies has employed other measures to manage conflicts and those measures have the effect that the risk of damage to a client’s interests is low.

Declining to Act

In the event that Jefferies determines that it is unable to manage a conflict of interest using one or more of the methods described in this Conflicts Policy, it may decline to act on behalf of a client.

Internal Policies and Training

Jefferies has in place various policies and procedures designed to manage conflicts of interest, many of which have been described in this Conflicts Policy. Such policies and procedures, together with training and internal guidance given by the Jefferies Compliance Department, are used to help employees identify circumstances which may give rise to potential conflicts of interest and provide them with the necessary tools to manage any such conflicts. In addition, all employees are made aware of Jefferies' escalation procedures for ensuring senior management consideration of material conflicts issues.

Reporting lines and Remuneration

Reporting lines are designed to avoid any conflicts arising. Where appropriate, Jefferies has in place separate supervision or functional or physical segregation arrangements designed to prevent the simultaneous involvement of an employee in separate services or activities where such involvement may impair the proper management of conflicts. Remuneration, commission and bonus structures are designed so as not to create an incentive for an employee to act contrary to a client's interests.

Conflicts Monitoring Systems

Senior management have an ongoing obligation to monitor the business to ensure that any new conflicts of interest that may arise are documented and controls are put in place to manage them. As such, any material changes to Jefferies' existing business or any new business activities are addressed at the Jefferies Board level (including via the following board committee: the Risk Oversight Committee) and the Jefferies Compliance Department is involved at the outset. This means that any potential conflicts that may arise can be addressed and appropriate mitigation procedures put in place. In addition, the review of conflicts of interest is included in the Jefferies compliance monitoring programme.

FURTHER INFORMATION

Jefferies will review and update this Conflicts Policy as necessary. Questions regarding this policy should be addressed to the Jefferies Compliance Officer at the address herein.

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