



SMART SECURITIES
FINANCIAL SERVICES LLC

**Smart Securities
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SMART SECURITIES FINANCIAL SERVICES LLC

CODE OF CONDUCT

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Office No. 1207 Clover Bay Tower Business Bay, Dubai, UAE

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1. INTRODUCTION

The Code of Professional Conduct outlines the ethical and professional responsibilities of Smart Securities Financial Services LLC (the “Firm”). Any reference to a client is a reference to the customers / potential customers who receive financial services from the Firm.

Ethical leadership begins at the highest level of an organization; therefore, the Code is adopted by the Firm’s Senior management, Board of directors, and similar oversight bodies.

Such adoption sends a strong message regarding the importance of ethical behaviour at the Firm. Rather than creating rules that apply only to certain people or groups, this Code is intended to cover all employees of the Firm.

Although not every employee is directly involved in activities covered by the Code, having a broadly applied Code reinforces the importance of all employees understanding the ethical issues involved in the Introductory business.

By adopting and enforcing a code of conduct, the Firm demonstrates its commitment to ethical behaviour and the protection of clients’ interests. In doing so, the Firm also protects and enhances its reputation.

The goal of this Code is to set forth a useful framework for the Firm to provide services in a fair and professional manner and to fully disclose key elements of those services to clients.

In the highly regulated market offering Introductory services of complex financial products, the adoption of a code of ethics by itself is not sufficient to ensure ethical conduct. To be implemented effectively, the principles and standards embodied in the Code must be supported by appropriate compliance procedures.

The Firm must adhere to all applicable laws and regulations governing its activities.

Clients are responsible for being aware of and understanding the basis on which they receive financial services. Yet, to fulfil this responsibility, clients must be able to count on full and fair disclosure from the Firm.

Providing clients with a code of ethics that sets a framework for how the Firm conducts business is an important step toward developing the trust and confidence necessary for a successful relationship.

2. ADOPTING THE CODE AND CLAIMING COMPLIANCE

Adoption of or compliance with the Code of Professional Conduct requires Smart Securities Financial Services LLC to adhere to all the principles of conduct and provisions set forth in the Code.

If the Firm has not complied with each of the principles of conduct and provisions of the Code, the Firm cannot represent that it is in compliance with the Code.

3. GENERAL PRINCIPLES OF LICENSED BODIES

- a) **Honesty and integrity** - The Firm must observe high standards of integrity and fair dealing, along with taking care of the client's interests and giving priority to their interests, keeping their assets and funds, and keeping the confidentiality of the information and data related to them, and provision of valid, clear, fair, and non-misleading information.
- b) **Administration, control, and regulation** - The Firm must have a corporate governance framework as appropriate to the nature, scale and complexity of its business and structure, which is adequate to promote the sound and prudent management and oversight of the Authorised Firm's business and to protect the interests of its customers and stakeholders. Furthermore, appropriate policies and regulations must be in place to assess the risk management process by the senior management, along with sufficient regulations and rules to ensure practising the financial activity according to the relevant applicable legislation.
- c) **Resources sufficiency** - The Firm must maintain and be able to demonstrate the existence of adequate resources to conduct and manage its affairs. These include adequate financial and system resources as well as adequate and competent human resources.
- d) **Good behaviour** - The applicable behavioural standards in any of the capital market institutions shall be complied with.
- e) **Management of the conflict of interests** - The required procedures must be in place to limit, manage, and detect conflicts of interest. The Firm must take all reasonable steps to ensure that conflicts of interest between itself and its customers, between its Employees and customers and between one customer and another are identified and then prevented or managed or disclosed in such a way that the interests of a customer are not adversely affected.
- f) **Suitability** - The Firm must assess the suitability in relation to the client by using three parameters which are the client's experience, financial circumstances and investment objectives. The firm must also comply with the client's orders in the event of its insistence

on the investment in the financially complex product despite notifying the client that it is not suitable. Evidence on the client insistence must be retained.

- g) **Appropriateness** - The Firm must assess the appropriateness of the client to ensure they are appropriate and under the risks that come with products and services offered by the Firm.
- h) **Good behaviour in dealing with the Authority** - The Firm must deal with Regulators in an open and cooperative manner and keep the S.C.A. promptly informed of significant events or anything else relating to the Firm of which the S.C.A. would reasonably expect to be notified.

4. GENERAL PRINCIPLES OF APPROVED JOBS

- i. **Honesty and integrity** - Refrain from participating in any activity that shall conflict with the interests of the Firm or the clients, that shall affect the work or regularity of the work of the capital market institutions, or that shall represent illegal or unacceptable work according to the professional standards or the Firm's instructions. Moreover, maintaining the confidentiality of the information and data related to the clients and professional tasks and practising the jobs that are allowed to be practised together after obtaining the S.C.A.'s approval and without conflict of interests and tasks.
- ii. **Skills, due diligence, and care**: Practicing the role in a skilful manner and exerting due diligence efforts and due effective care when performing the role.
- iii. **Good behaviour**: The applicable professional behavioural standards in any of the capital market institutions shall be complied with when practising the job.
- iv. **Dealing with the Authority**: The dealing with the S.C.A. shall be in an appropriate, transparent, and cooperative method, such as notifying the S.C.A. immediately of any essential information or significant and necessary data.
- v. **Effective administrative**: Exerting due and reasonable efforts to ensure regulation, administration, and control of the licensed body's works in an effective manner when practising administration tasks.
- vi. **Compliance**: Exerting due efforts to comply with the applicable legislation in the state.

5. GENERAL PRINCIPLES OF CONDUCT

The Firm has the following responsibilities to its clients. The Firm must:

- i. Act in a professional and ethical manner at all times.
- ii. Act for the benefit of clients.
- iii. Act with independence and objectivity.

- iv. Act with skill, competence, and diligence.
- v. Communicate with clients in a timely and accurate manner.
- vi. Uphold the applicable rules governing capital markets.

6. IMPLEMENTATION OF THE GENERAL PRINCIPLES OF CONDUCT

Adoption of the Code is insufficient by itself for the Firm to meet its ethical and regulatory responsibilities. The Firm must also adopt detailed policies and procedures to effectively implement the Code.

The following guidance highlights particular issues that the Firm should consider when developing its internal policies and procedures that accompany the Code.

The guidance is not intended to cover all issues or aspects of the Firm's operations that would have to be included in such policies and procedures to fully implement and support the Code.

A. Responsiveness towards Clients

The Firm must:

1. Prioritise the client interests over personal considerations.

Client interests are paramount. The Firm should institute policies and procedures to ensure that client interests supersede its interests in all aspects of the Firm-client relationship.

The Firm should take reasonable steps to avoid situations in which its interests and client interests' conflict and should institute operational safeguards to protect client interests.

The Firm should implement compensation arrangements that align the financial interests of clients and its own interests and avoid incentives that could result in employees acting in conflict with client interests.

2. Preserve the confidentiality of information communicated by clients within the scope of the Manager-client relationship.

The Firm must hold information communicated to it by clients or other sources within the context of the Manager-client relationship strictly confidential and must take all reasonable measures to preserve that confidentiality. This duty applies when the Firm obtains information on the basis of its confidential relationship with the client or its special ability to conduct a portion of the client's business.

The Firm should create a privacy policy that addresses how confidential client information will be collected, stored, protected, and used.

The duty to maintain confidentiality does not supersede a duty (and, in some cases, the legal requirement) to report suspected illegal activities involving client accounts to the appropriate authorities.

3. Refuse to participate in any business relationship or accept any gift that could reasonably be expected to affect independence, objectivity, or loyalty to clients.

As part of holding clients' interests paramount, the Firm must establish policies for accepting gifts or entertainment in a variety of contexts.

To avoid the appearance of a conflict, the Firm must refuse to accept gifts or entertainment from service providers or other business partners of more than a minimal value of AED 500/- which is aligned with local regulations and applicable rules and regulation of UAE.

The employee may accept gifts; however, the Intent behind the gift should be kept in mind and the employee must not violate the norms, ethics and value of the Firm.

B. Introductory Services Process and Actions

The Firm must:

4. Use reasonable care and prudent judgment when providing financial services.

The Firm must exhibit the care and prudence necessary to meet its obligations to clients. Prudence requires caution and discretion. The exercise of prudence requires acting with the care, skill, and diligence that a person acting in a like capacity and familiar with such matters would use under the same circumstances.

Prudence requires following the parameters set forth by the client and balancing risk and return.

Acting with care requires the Firm to act in a prudent and judicious manner in avoiding harm to clients.

5. Not engage in practices designed to distort prices or artificially inflate trading volume with the intent to mislead market participants.

Market manipulation is illegal in most jurisdictions and damages the interests of all investors by disrupting the efficient functioning of financial markets and causing a deterioration in investor confidence.

Market manipulation includes practices that distort security prices or values or artificially inflate trading volumes with the intent to deceive persons or entities that rely on information in the market. Such practices may involve, for example, transactions that deceive market participants by distorting the price-setting mechanism of financial instruments and the dissemination of false or misleading information.

Transaction-based manipulation includes, but is not limited to, transactions that artificially distort prices or volume to give the impression of activity or price movement in a financial instrument (e.g., trading in illiquid stocks at the end of a measurement period to drive up the price and improve the fund's performance) and securing a large position with the intent to exploit and manipulate the price of an asset and/or a related derivative.

Information-based manipulation includes but is not limited to, knowingly spreading false rumours to induce trading by others and pressuring sell-side analysts to rate or recommend security in such a way that benefits the Firm or its clients.

6. Deal fairly and objectively with all clients when providing information, making or taking introductory actions.

To maintain the trust that clients place in them, the Firm must deal with all clients in a fair and objective manner. The Firm must not give preferential treatment to favoured clients to the detriment of other clients. In some cases, clients may pay for a higher level of service or certain services, and certain products may only be made available to certain qualifying clients. These practices are permitted as long as they are disclosed and made available to all clients.

This provision is not intended to prevent the Firm from engaging in secondary opportunities—referred to in some jurisdictions as “side-letter,” “sidecar,” or “tag-along” arrangements—with certain clients as long as such opportunities are fairly allocated among similarly situated clients for whom the opportunity is suitable.

7. Have a reasonable and adequate basis for decisions.

The Firm must act with prudence and make sure its decisions have a reasonable and adequate basis. Prior to carrying out a financial service, the Firm must analyse the service in question and should act only after undertaking due diligence to ensure there is sufficient knowledge. Such analysis will depend on the style and strategy being used.

The Firm can rely on external third-party research as long as the Firm has made reasonable and diligent efforts to determine that such research has a reasonable basis. When evaluating investment research, the Firm should consider the assumptions used, the thoroughness of the analysis performed, the timeliness of the information, and the objectivity and independence of the source.

The Firm should thoroughly understand the securities on which it introduces to its clients. The Firm should understand the structure and function of the securities, how they are traded, their liquidity, and any other risks (including counterparty risk).

The Firm should understand its services' structure and potential vulnerabilities and communicate these in an understandable manner to its clients.

8. When carrying out financial services:

Evaluate and understand the client's objectives, tolerance for risk, time horizon, liquidity needs, financial constraints, any unique circumstances (including tax considerations, legal or regulatory constraints, etc.) and any other relevant information.

Prior to providing introductory services for clients, the Firm must take the necessary steps to understand and evaluate the client's financial situation, constraints, and other relevant factors.

C. Risk Management, Compliance, and Support

The Firm must:

9. Develop and maintain policies and procedures to ensure that its activities comply with the provisions of this Code and all applicable legal and regulatory requirements.

Detailed and companywide compliance policies and procedures are critical tools to ensure that the Firm meets its legal requirements when carrying out financial services.

In addition, the fundamental, principle-based, ethical concepts embodied in the Code should be put into operation by the implementation of specific policies and procedures.

Documented compliance procedures assist the Firm in fulfilling the responsibilities enumerated in the Code and ensure that the standards expressed in the Code are adhered to in the day-to-day operation of the Firm.

10. Appoint a compliance officer responsible for administering the policies and procedures and for investigating complaints regarding the conduct of the Firm or its personnel.

Effective compliance programs require the Firm to appoint a compliance officer who is competent, knowledgeable, and credible and is empowered to carry out his or her duties. Where possible, the compliance officer should be independent of the business and operations personnel and should report directly to the Category Manager or Board of directors.

The compliance officer and senior management should regularly make clear to all employees that adherence to compliance policies and procedures is crucial and that anyone who violates them will be held liable. The Firm should consider requiring all employees to acknowledge that they have received a copy of the Code (as well as any subsequent material amendments), that they understand and agree to comply with it, and that they will report any suspected violations of the Code to the designated compliance officer.

Compliance officers should take steps to implement appropriate employee training and conduct continuing self-evaluation of the Firm's compliance practices to assess the effectiveness of the practices.

Among other things, the compliance officer should be charged with reviewing employee transactions to ensure the priority of client interests. Because personnel, regulations, business practices, and products constantly change, the compliance officer's role (particularly keeping the Firm up to date on such matters) is particularly important.

The compliance officer should document and act expeditiously to address any compliance breaches and work with management to take appropriate disciplinary action.

11. Ensure that the information provided to clients is accurate and complete.

The Firm is responsible for ensuring that the information provided to clients is accurate and complete.

12. Maintain records for an appropriate period in an easily accessible format.

The Firm must retain records that substantiate its activities, the scope of its research, the basis for its conclusions, and the reasons for actions taken on behalf of its clients. The Firm should also retain copies of other compliance-related records that support and substantiate the implementation of the Code and related policies and procedures, as well as records of any violations and resulting actions taken. Records can be maintained either in hard copy or electronic form.

Regulators often impose requirements related to record retention. The Firm must adhere to such requirements as a minimum standard.

13. Employ qualified staff and sufficient human and technological resources to thoroughly investigate, analyze, implement, and monitor decisions and actions.

To safeguard the Manager-client relationship, the Firm must allocate all the necessary resources to ensure that client interests are not compromised.

Carrying out financial services requires appropriate administrative, back-office, and compliance support. The Firm should ensure that adequate internal controls are in place to prevent fraudulent behaviour.

A critical consideration is employing only qualified staff. Employing qualified staff reflects a client-first attitude and helps ensure that the Firm is applying the care and prudence necessary to meet its obligations to clients. This provision is not meant to prohibit the outsourcing of certain functions, but the Firm retains the liability and responsibility for any outsourced work.

The Firm has a responsibility to clients to deliver the actual services it claims to offer. The Firm must use adequate resources to carry out the necessary research and analysis to implement its services with due diligence and care.

14. Establish a business-continuity plan to address disaster recovery or periodic disruptions of the financial markets.

Part of safeguarding client interests is establishing procedures for handling client accounts and inquiries in situations of national, regional, or local emergency or market disruption. Commonly referred to as business continuity or disaster-recovery planning, such preparation is increasingly important in an industry and world highly susceptible to a wide variety of disasters and disruptions.

At a minimum, the Firm should consider having the following:

- i. adequate backup, preferably off-site, for all account information,
- ii. plans for communicating with critical vendors and suppliers,
- iii. plans for employee communication and coverage of critical business functions in the event of a facility or communication disruption, and
- iv. plans for contacting and communicating with clients during a period of extended disruption.

Numerous other factors may need to be considered when creating the plan. According to the needs of the organization, these factors may include establishing a backup office and operational space in the event of an extended disruption and dealing with key employee deaths or departures.

As with any important business planning, the Firm should ensure that employees and staff are knowledgeable about the plan and are specifically trained in areas of responsibility. Plans should be tested on a Firm-wide basis at intervals to promote employee understanding and identify any needed adjustments.

15. Establish a Firmwide risk management process that identifies, measures, and manages the risk position of the Firm, including the sources, nature, and degree of risk exposure.

The Firm must implement risk management techniques that are consistent with its risk appetite and risk tolerance based on nature of business, size and complexity of business.

The types of risks faced by the Firm include but are not limited to client risk, counterparty risk, legal risk and various types of operational risk. The Firm should analyze such types of risks as part of a comprehensive risk management process.

The Firm's risk management process must be objective and independent.

An effective risk management process will identify risk factors. The risk of the firm will be based on the various factors which are type of onboarded customer, products and services, delivery channels, procedures for right behaviours through performance management, employee development and training programme, compliance culture, adequate Management system, Code of conduct, appropriate procedures applicable to handling default cases against obligations by clearing members, suitable procedures for separating the accounts between clearing members and their customers in order to ease the transfer of the financial positions and collaterals from the defaulting member to another non-defaulting member; Continuous assessment of member contributions to the default fund and the risks it may pose according to the rules set by the Central counterparty providers and information barriers.

Despite the inherent and residual risk factors, the effective risk management ultimately depends on appropriate policies, procedures and controls and risk assessment in order to assess the effectiveness of the control of the firm and be aligned within regulatory framework. The main intent of the Management is primarily responsible for identifying and complying with laws and regulations and for preventing and detecting acts of financial crime that affect the organisation.

D. Disclosures

The Firm must:

16. Communicate with clients on an ongoing and timely basis.

Developing and maintaining clear, frequent, and thorough communication practices is critical to providing high-quality financial services to clients. Understanding the information communicated to them allows clients to know how the Firm is acting on their behalf and gives clients the opportunity to make well-informed decisions.

The Firm must determine how best to establish lines of communication that fit its circumstances and that enable clients to evaluate its financial status.

17. Ensure that disclosures are truthful, accurate, complete, and understandable and are presented in a format that communicates the information effectively.

The Firm must not misrepresent any aspect of its services or activities, including (but not limited to) its qualifications or credentials, the services it provides, its performance records, and the characteristics of the strategies it uses.

A misrepresentation is any untrue statement or omission of fact or any statement that is otherwise false or misleading. The Firm must ensure that misrepresentation does not occur in oral representations, marketing (whether through mass media or printed brochures), electronic communications, or written materials (whether publicly disseminated or not).

To be effective, disclosures must be made in plain language and in a manner designed to effectively communicate the information to clients and prospective clients. The Firm must determine how often, in what manner, and under what particular circumstances disclosures must be made.

18. Include any material facts when making disclosures or providing information to clients.

Clients must have full and complete information to judge the abilities of the Firm and its actions. "Material" information is information that reasonable investors would want to know relative to whether or not they would choose to use or continue to use the Firm.

19. Disclose the following:

- a. Conflicts of interest generated by any relationships with other entities, other client accounts, Introductory fee structures, or other matters.

Conflicts of interest can take many forms. The best practice is to avoid such conflicts if possible.

When the Firm cannot reasonably avoid conflicts, it must carefully manage them and disclose them to clients.

Disclosure of conflicts of interest protects clients by providing them with the information they need to evaluate the objectivity of the Firm's services and by giving them the information to judge the circumstances, motives, and possible bias for themselves.

- b. Regulatory or disciplinary action taken against the Firm or its personnel related to professional conduct.

Past professional conduct records are an important factor in a client's selection of a financial service provider. Such records include actions taken against the Firm by any regulator or other organization. The Firm must fully disclose any significant instances in which it or an employee was found to have violated standards of conduct or other standards in such a way that reflects badly on the integrity, ethics, or competence of the organization or the individual.

- c. Costs charged to clients, including what costs are included in the fees and the methodologies for determining fees and costs.

Clients are entitled to full and fair disclosures of costs associated with the financial services provided. Material that should be disclosed includes information relating to any fees to be paid to the Firm on an ongoing basis and periodic costs that are known to the Firm, and that will affect clients' overall expenses. At a minimum, the Firm should provide clients with gross- and net-of-fee returns and disclose any unusual expenses.

- d. Significant personnel or organizational changes that have occurred at the Firm.

Clients should be made aware of significant changes at the Firm in a timely manner." Significant" changes would include personnel turnover, merger and acquisition activities of the Firm, and similar actions.

- e. Risk management processes.

The Firm should further consider regularly disclosing specific risk information and specific information regarding activities related to each client.