

Important information about conflicts of interest

What is this document about?

We want to notify you of a series of investment industry regulations called the *Client Focused Reforms* that have been introduced by the Investment Industry Regulatory Organization of Canada and the Canadian Securities Administrators to help protect investors. As part of these new reforms, all investment dealers across Canada must provide their clients with more detailed disclosures by June 30, 2021, which outline how the firm manages actual and potential material conflicts of interest. A conflict of interest can arise when the commercial interests of our firm diverge from your interests as a client of our firm. As an order-execution only dealer, OANDA (Canada) Corporation ULC (“OANDA”) does not provide you with a suitability review of any trade orders you execute through our facilities but we are required to provide you with all the material information that defines your relationship with us, including information about conflicts of interest. Accordingly, we are updating our client disclosures pertaining to material conflicts of interest to describe how your interests could diverge from the interests of our firm and how we manage such situations to ensure that they are resolved in a manner consistent with your best interest. In addition, we explain below the specific procedures we have in place to properly address these conflicts of interest, so you can have better understanding about the services we provide to you.

Description of material conflicts of interest that may arise in your relationship with our firm

In this document, we have identified material conflicts of interest that arise in the ordinary course of our business. Some of these conflicts are inherent in the business model that we use. We seek to avoid or minimize conflicts where reasonably possible. However, some conflicts cannot be avoided. We have policies and procedures in place to manage the conflicts of interest that we believe are sufficient to put the interests of our clients first and fulfill our obligations to our clients.

OANDA is what is referred to as a “discount” or “order-execution only” dealer because it provides trade execution facilities but does not provide “advice” in respect of such trades.

Our services will be carried on by us in accordance with our usual practices and procedures and in accordance with all applicable disclosure and other regulatory requirements. It is our policy to comply fully with all applicable securities laws and to make all required disclosures.

The general types of conflicts of interest which can arise are:

- Conflicts of interest between you and us,
- Conflicts of interest between you and our other clients, and
- Conflicts of interest between us and our related and associated companies.

In most client transactions with our firm, we will be the party on the other side of the transaction (referred to as a “principal” trade).

OANDA (Canada) Corporation ULC. is a dealer member of the Investment Industry Regulatory Organization of Canada and a member of the Canadian Investor Protection Fund.

In general, we deal with and manage relevant conflicts as follows:

- *Avoidance*: This includes avoiding conflicts which are prohibited by law as well as conflicts which cannot effectively be managed.
- *Control*: We manage acceptable conflicts through means such as physical separation of different business functions and restricting the internal exchange of information.
- *Disclosure*: By providing you with information about conflicts, we enable you to assess independently their significance when evaluating any actions we take.

This information is intended to assist you in understanding and assessing material potential and actual conflicts of interest, including how we address them. This is an overview of a complex subject. Despite that, we believe the simplest control is the most effective - your continued satisfaction and patronage. If you ever have any questions or concerns, whether they involve conflicts of interest or anything else, you should never hesitate to say so and ask OANDA Customer Service (frontdesk@oanda.com) for more information and an explanation.

We have described below the material conflicts of interest that arise in our business and the methods we have for responding to those conflicts in a manner consistent with our clients' best interests.

Hedging Protocols

There is a potential conflict in terms of OANDA's hedging strategy and how it could affect your trading costs. When OANDA enters into a trade with you, we could opt to hedge your trades in the market or assume the market risk associated with your trade itself. In the case of the former, we would benefit solely from the costs associated with your trades, whereas with the latter, we would also benefit from any losses on your trades and have to cover any profits on your trades.

In order to manage this conflict risk, OANDA has adopted strict policies and procedures which ensure that hedging decisions are based purely on prudent financial risk management and thereby drive behaviour which does not compromise the best interests of our clients. All client trades for OANDA and its affiliates are pooled, and there are instrument specific market risk parameters. This effectively anonymizes the vast majority of clients' trades. All trading is fully automated with no human intervention, which means that when client trades are executed there is no knowledge of what side of the trade OANDA is on. In other words, we accept a particular client trade without reference to whether OANDA will be taking the market risk or not in respect of that trade.

Clients are not treated any differently, including pricing and costs, when market risk of their trading is taken by OANDA because all trade execution is fully automated with no human intervention.

The priority given to managing this potential conflict to ensure clients' best interests are preserved, is further evidenced by the regular independent monitoring of all aspects of client trading: pricing, trade execution and adherence to the firm's financial risk management protocols.

Pricing, Costs and Trading Venue

OANDA controls the trading venue through which transactions are executed as well as the price and cost of all instruments available to trade. This represents a conflict of interest in that OANDA could offer a product that prioritizes the firm's interests above those of clients by offering non-competitive pricing or a trading venue that operates in a way that is not transparent and/ or in the client's best interests.

To mitigate this risk, we set the prices and other conditions for trading with us in accordance with our Order Execution Policy. Numerous FAQs, webpages and disclosures detail how OANDA sets our prices, calculates fees/costs and executes orders to ensure clients are aware of how much our services cost and how our products are priced. Regular monitoring is undertaken internally to ensure that the trading platform provides clients with best execution. This is in keeping with OANDA's obligations as a regulated entity. This also allows our clients to make an informed choice as to whether you wish to trade with us or with another dealer offering similar services.

OANDA global structure – prioritization of resources

OANDA has eight global affiliates, and utilizes intra-group outsourcing as well as operating a centralized trading team function. It is therefore conceivable that resourcing conflicts could arise, which could adversely impact its clients.

In order to minimize this potential conflict, and thereby maintain acceptable standards of client service and the best client outcomes possible, OANDA has robust intra-group service contracts with detailed service level standards, and associated KPIs (key performance indicators), that are closely monitored each month by senior management.

Potential resourcing conflicts are thereby effectively managed, ensuring OANDA is able to act in the best interests of our clients by providing an acceptable standard service.

OANDA promotes clear client communication, which includes two-way dialogue, and a firm complaint handling process so that any client who feels that the service received has fallen short of acceptable standards has a direct route to escalate the matter. All client feedback is regularly reviewed and assessed by senior management.

Onboarding Clients

A potential conflict of interest that may impact you as a client is how OANDA onboards new clients. It is in our commercial interest to increase our client base, which drives revenue and growth and the number of clients onboarded is a key metric for how we measure performance. However, onboarding a client may not always be in the client's best interest.

OANDA is an order-execution only dealer which means that we do not provide a suitability review of any trades requested by our clients. If you would like to receive advice in respect of the suitability of that trade to your personal circumstances, you should deal with a full service dealer that offers a suitability review of each trade.

The products that OANDA offers are complex and high risk, and may not be appropriate for everyone – as part of the account application, applicants provide various background information that allows OANDA to assess their appropriateness to maintain an account both in terms of understanding the associated risks and ability to financially withstand the risks. This assessment is updated at least annually, and when you provide an update to your personal background information, to ensure that it is still appropriate for you to maintain an account with OANDA.

The decision to onboard a client is taken by an impartial IIROC registered Supervisor who is not subject to financial incentives linked to new client numbers, and there is stringent monitoring to ensure quality standards and that our policies and procedures are being followed.

OANDA clearly informs clients of the risks associated with our products, to ensure that you understand the risks. This is accomplished through the use of prominent risk warning disclaimers and disclosures across our website and promotional materials.

Technology (including platforms)

OANDA provides online trading platforms (including its own and third-party platforms, such as MetaTrader 4), which allows you to trade the products that we offer. The offering includes a web-based platform, mobile and tablet apps, a desktop platform with additional features such as charting software and risk management solutions.

Given that these are designed and provided by OANDA, clients may have concerns that manipulation of the platform such as slow execution speeds or excessive downtime would lead to them being disadvantaged.

OANDA needs to be competitive and hence must provide a robust and user-friendly offering to our clients. Failure to do so would potentially mean losing clients to our competitors and would be detrimental to the firm's performance and reputation.

To avoid this, we monitor management information including outages, speed of execution and downtime to ensure that any issues are quickly identified and addressed. Proactive client communication ensures that any clients impacted by any outages or other platform related issues are contacted quickly with information about the issue as well as appropriate compensation where applicable.

OANDA also makes our historic pricing available on our website for clients to compare against other providers, and we also publish our downtime as part of our disclosures.

Third Party Introducers

OANDA sometimes uses the services of third-party introducers to introduce potential new clients to our services. As these introducers receive payments for such introductions they are potentially conflicted, being incentivized to introduce potential clients.

OANDA seeks to ensure that we only contract with reputable introducers, who will act in the best interests of clients by ensuring robust due diligence is undertaken and contracts are appropriately worded. This oversight also extends to the review and monitoring of the introducer's website, and close 'red flag' monitoring of introduced clients' transactions and trading activity.

In order to ensure that introduced clients are aware that an introducer has introduced them to OANDA, they are all issued with a Referral Arrangement Disclosure which includes disclosure prescribed by Canadian securities laws, including disclosure about how much we may pay the introducer for introducing them to us.

Further, introduced clients are treated in exactly the same way as clients who have not been introduced by an introducer, as the same account opening protocols around applicant appropriateness and AML requirements exist with all decisions to approve an application being made by an IIROC registered Supervisor, who is independent of the introducers and sales function within OANDA.

Outsourcing/ Insourcing

OANDA uses services and facility outsourcing and insourcing as a means of reducing effort and cost, accessing specialist expertise, and improving quality of core and non-core functions. The outsourcing/insourcing providers could be conflicted in a number of ways, including in terms of purely concentrating on quantitative operational performance, instead of a balanced qualitative and quantitative approach.

To reduce any potential conflict, all providers undergo a robust due diligence and approval process, which involves multiple stakeholders, in accordance with our Outsourcing Framework. This framework includes a check to identify and mitigate, if not possible to eliminate, all potential and actual conflicts of interest. Regular monitoring is undertaken to ensure due diligence information remains current and accurate, and to identify any new conflicts that may arise.

Qualitative and quantitative targets are employed, and management information is produced so that the quality of outsourced services can be monitored by OANDA's board, to ensure acceptable standards aligned to our clients' best interests are maintained.

All services are provided online, and the website contains various information on the expected service standards.

Outsourcing and insourcing arrangements should provide a seamless client experience, and clients who are unhappy with the services provided can escalate a complaint which will be reviewed independently by the Designated Complaints Officer. This process is outlined in the Complaint Process available to you via OANDA's website.

Remuneration (including Commission)

The way in which OANDA remunerates or offers financial incentives to our employees could conflict with their duty to act in the best interests of clients.

OANDA mitigates this risk with comprehensive policies, approved and controlled by a governance structure, to ensure that employees in sales roles are not remunerated in a way that encourages them to sell products inappropriately. Variable to fixed remuneration ratios are capped as well as sales staff having non-financial based targets to meet in order to qualify for financial incentives, thereby ensuring that staff are not encouraged to mislead clients.

All client communication is recorded and monitored to ensure that interactions are fair, clear and not misleading. Disclosures are published on the website, and all staff are bound by a Global Code of Ethics and Business Conduct.

Employee Abuse of Position

Given the sensitive data held by OANDA about our clients, there are strong controls in place to ensure that the risk to clients through abuse of position by an employee is minimized.

All client trading is online with no human intervention, and all client communication is recorded and monitored to ensure that these conversations are in the clients' best interests, including no trading advice or inappropriate behaviour by employees. These recordings are available to clients, with strong security to prevent any tampering.

All employees are subject to strict vetting procedures as well as ongoing assessment, to ensure their competence to discharge their role effectively and in the clients' best interests.

There are numerous compliant system access controls in place that restrict and control employee access to systems, and automated "four-eye" processes requiring approval by two people that have to be followed for some roles including client account funding and withdrawals.

OANDA is fully compliant with the Privacy Policy concerning data protection. The Privacy Policy is published on OANDA's website.