



DUKASCOPY

Member of Swiss Banking Group

V.01.08.2019

Dukascopy Europe IBS AS

Conflict of interest prevention policy

1. Terms and abbreviations

- 1.1. **Company** – Dukascopy Europe IBS AS.
- 1.2. **Compliance laws, rules and standards** – laws and regulations governing the Company's activities, standards established by self-regulatory bodies related to the Company's operation, codes of professional conduct and ethics, and other best practice standards related to the Company's activities.
- 1.3. **Internal regulations** – documents issued by the Company or Dukascopy Bank SA governing the activities of the Company and its departments or employees, such as policies, procedures, regulations, instruction manuals.
- 1.4. **Investment Services** – services mentioned in the Financial Instruments Market Law (FIMA) of the Republic of Latvia:
 - Investment services mentioned in Section 3, paragraph 4;
 - Ancillary investment services mentioned in Section 3, paragraph 5;
 - Holding of clients funds as mentioned in Section 129;
- 1.5. **FI** – financial instruments.
- 1.6. **Associated Persons** – persons related to the Company pursuant to Section 101, paragraph 3¹ of the FIMA.
- 1.7. **Controlling Persons** – the owners of the sole proprietor of the Company, Dukascopy Bank SA, chairmen, members or other persons of the Management or Supervisory Board who may give binding instructions to the Company.
- 1.8. **Client** – natural or legal person or association of such persons to whom the Company provides Investment Services or who is considering the provision of Investment Services (potential client).
- 1.9. **Person of Conflict of Interest (CI Person)** – Company, its employees or managers, as well as any directly or indirectly Associated Person, directly or indirectly Controlling Person.
- 1.10. **Conflict of Interest** – in order to determine the types of conflicts of interest arising from the provision of Investment Services, the existence of which could be detrimental to the Client's interests, the Company shall consider whether the IC person is in any of the following situations:
 - (a) the IC person is likely to obtain a financial benefit or avoid financial loss at the expense of the Client;
 - (b) the IC person is interested in a service rendered to the Client or a transaction performed on behalf of the Client, which is different from the result obtained in the interest of the Client;
 - (c) the IC person has a financial or other incentive to favor the interests of another Client or a group of Clients over the interests of the Client;
 - (d) the IC person operates in the same business sector with the Client;
 - (e) the IC person receives or will receive an incentive from a person other than their Client in respect of the service provided to the Client in the form of money, goods or services, which are not considered as a standard commission or fee for the service.
- 1.11. **Personal Transaction** – FI transaction executed by or on behalf of an Associated Person or made in favor of the Client, if at least one of the following criteria is met:
 - 1.11.1. the transaction is not executed within the framework of a person's employment or professional duties;
 - 1.11.2. the transaction is executed on the aforementioned person's account;

- 1.11.3. the transaction is executed on the account of the person's spouse, child, stepchild (child of a spouse that is not the person's child) or other relative who has had a common household for at least year with an Associated Person;
- 1.11.4. the transaction has been carried out at the expense of another person who is related to the IC person in such a way that the latter has a direct or indirect material interest in the outcome of the transaction other than payment for the execution of the transaction.
- 1.12. **Investment Research** – a research or other information that directly or indirectly recommends or proposes an investment strategy or one or more FI issuers, including any opinion on the present or future value of the instruments and is intended for distribution channels or public. The research complies with following criteria:
 - it is marked as investment research or reflected differently as an objective or independent explanation of the matters covered by the research;
 - it is not an investment recommendation rendered to clients advising them on FI investments.

2. Scope

The goal of Conflict of Interest Policy (“the **Policy**”) is to define the core principles, elements and procedures in order to ensure that the necessary measures are taken to identify the conditions which cause or may cause a Conflict of Interest that creates a substantial risk or harm to one or more clients, and to prevent or minimize conflicts of interest and negative consequences that may arise during the provision of Investment and/or Non-core Investment Services.

3. General provisions

- 3.1. Departments of the Company and employees identify conflicts of interest, assess them and manage them in accordance with this Policy.
- 3.2. Within the framework of managing Conflict of Interest situation, the Company's Supervisory Board:
 - 3.2.1. monitors periodic development of Conflict of Interest prevention system in accordance with changes in the Company's activities and external factors which influence the Company's operations;
 - 3.2.2. approves this Policy, including the necessary amendments;
 - 3.2.3. when necessary identifies the Company's corporate values, code of professional conduct and ethical standards.
- 3.3. Within the framework of managing Conflict of Interest situations, the Company's Management Board:
 - 3.3.1. provides management of Conflict of Interest situations in the Company by means of the Policy adopted by the Company's Supervisory Board;
 - 3.3.2. provides the Company's employees with the appropriate qualification and sufficient experience, introduces professional conduct and ethical standards defined by the Company's Supervisory Board, ensures the implementation of the Policy and approves Internal regulations;

- 3.3.3. takes all necessary and possible measures to identify and prevent Conflicts of Interest which may occur between the Company, including its employees, tied agents, persons, Controlling Persons, and the Client, as well as between the clients during provision of Investment Services;
- 3.3.4. ensures the development of a registry of personal transactions.
- 3.4. This Policy is revised at least every 18 months to ensure it is up to date and in line with all the changes in the Company's operations and external factors impacting the Company's operations, or after the amendment of Compliance laws, rules and standards, which govern the management of Conflict of Interest situations and its monitoring procedure. The Company's Supervisory Board approves the necessary Policy changes, but the Management Board approves the necessary changes in the other Internal regulations of the Company.
- 3.5. Where the organizational or administrative measures established by the Company in accordance with the Policy or other Internal regulations' requirements for the management of Conflicts of Interest are insufficient to ensure with certainty that the interests of Clients will not be negatively affected, employees of the Company shall clearly disclose to the Client the essence or the sources of Conflict of Interest before commencing the provision of Investment Services to the Client. The above shall be done in accordance with the requirements for information exchange types related to investment services (Section 1261 of FIMA).
- 3.6. Departments of the Company and employees fulfilling these Policy requirements are obliged to take into account not only the Company's Internal regulations, but also Compliance law, rules and standards.
- 3.7. The internal audit ensures an independent assessment of the management effectiveness of Conflict of Interest situations.

4. Basic principles of managing conflicts of interest

- 4.1. The Management Board of the Company shall have adequate measures in place to manage conflicts of interest that may arise to ensure:
 - 4.1.1. identification, management and resolution of the potential Conflicts to prevent them in a timely manner;
 - 4.1.2. prevention of situations in which employees of the Company are facing or can face a Conflict of Interest while performing their duties;
 - 4.1.3. that departments that are carrying out activities which may give rise to a Conflict of Interest are independent from each other (for example, through development and implementation of Information barriers or introduction of different organizational accountability);
 - 4.1.4. that the information provided by the Company to existing or potential Clients is clear, accurate, fair and not misleading;
 - 4.1.5. that conditions of the transactions with the Associated Persons are the same as conditions for the Clients that are not related to the Company and that those conditions are not in contradiction of the Client's and the Company's interests;
 - 4.1.6. determination of personal transaction restrictions;

- 4.1.7. that Company's internal documentation is up to date on a regular basis;
- 4.1.8. Conflict of Interest management is being monitored;
- 4.1.9. that each employee of the Company is obliged to immediately report to the Company's Risk and Control Division and the head of the corresponding structural unit any existing or potential Conflict of Interest and refrain from conducting any affected transactions. The Risk and Control Division after evaluating the case may decide on reporting to the Company's Management Board and/or Compliance committee;
- 4.1.10. development of the necessary internal enactments of the Company governing the Company's departments and the obligations of employees in order to implement this Policy;
- 4.1.11. taking all required and possible measures to identify and prevent Conflicts of Interest during provision of Investment Services between the Company and the Company's employees, tied agents, Controlling Persons, or the Clients, and also between the Clients;
- 4.1.12. creation of personal transaction records.
- 4.2. The Member of the Supervisory Board and the Management Board of the Company when performing their duties prevent the break out of a Conflict of Interest and abstain from making any decisions that involve the Company's financial transactions or any other transactions that can cause a Conflict of Interest;
- 4.3. The Member of the Supervisory Board and the Management Board of the Company report to the Company's Supervisory Board on the financial transactions or any other transactions, which may cause directly or indirectly a Conflict of Interest for the Member of the Supervisory Board or the Management Board of the Company.

5. Identification and management of conflicts of interest

5.1. Conflict of Interest may arise between:

- 5.1.1. The Company and the Client;
- 5.1.2. Company employees and the Client;
- 5.1.3. Tied agents and the Client;
- 5.1.4. Controlling Persons and the Client;
- 5.1.5. Company Clients;
- 5.1.6. Associated Persons and the Client.

5.2. A Conflict of Interest may arise when the Company or the IC person:

- 5.2.1. might generate profits or avoid loss at the Client's expense;
- 5.2.2. has an interest in the outcome of the service provided to the Client or the outcome of the transaction conducted on the Client's behalf which does not comply with the interests of the Client;
- 5.2.3. has an interest in acting in the interest of another Client or group of Clients;
- 5.2.4. performs the same professional activities as the Client;

- 5.2.5. is receiving or will receive remuneration for the service provided to the Client from another person in the form of cash, goods or services other than standard payment for such service.
- 5.3. The Compliance committee shall identify potential Conflicts of Interest at least once a year and in collaboration with the Legal and Compliance Monitoring department taking into account the changes in the Company's operations and external factors that influence its operations, and if necessary initiates changes directed at improving prevention of Conflicts of Interest.
- 5.4. If the Company employs two or more persons who are either married or are relatives, then heads of structural units or, if the concerned employee is a head, members of the Management Board shall evaluate the situation and ensure a sufficient division of responsibilities between the employees concerned so that there is no Conflict of Interest between them.
- 5.5. Company employees are prohibited from offering Investment Services to Associated or Controlling Persons on behalf of the Company at conditions that are more favorable than the conditions for similar Investment Services provided by the Company to the persons not related to the Company and which do not comply with the Company's and Clients' interests.
- 5.6. IC persons are prohibited from:
- 5.6.1. entering into trades when there is a Conflict of Interest on the basis of insider information available to the IC person as a result of exercising work responsibilities or being related to the Company in any other way;
 - 5.6.2. entering into transactions using or inappropriately disclosing information that contains a business secret;
 - 5.6.3. entering into transactions that infringe upon applicable law and the Company's internal regulations;
 - 5.6.4. advising a third party to make a transaction that creates a Conflict of Interest for the advisor;
 - 5.6.5. disclosing information to a third party or expressing an opinion, when the person disclosing information knows or ought to know that as a result of disclosing information the third party will enter into or is likely to enter into or advise another person to enter into a transaction that would create a Conflict of Interest for the person disclosing information;
 - 5.6.6. entering into transactions for the benefit of the Company or for the benefit of a Client if entering into a transaction creates a Conflict of Interest for the person completing the transaction.
- 5.7. Company employees entering into transactions and detecting favorable transaction conditions specified in section 5.5 shall refuse to execute a transaction on behalf of Associated Persons and/or Controlling Persons, or agree on transaction conditions that are not more favorable than the conditions for similar transactions executed by the Company with persons not linked to the Company.
- 5.8. Company employees executing the transactions and detecting the transaction characteristics specified in section 5.6 shall refuse to execute the transaction.
- 5.9. Company employees are prohibited from accepting presents or invitations to events if the Company employee knows or ought to know that the Client will receive special (preferential) treatment that may lead to the Conflict of Interest after accepting the present or attending the event.

- 5.10. All Company employees are obliged to report immediately any cases of Conflict of Interest in accordance with the procedure set out in section 4.1.9 and refrain from executing the transaction or reviewing applications, complaints and similar documents. The direct supervisor is obliged to immediately ensure that the transaction is executed by another employee who has no Conflict of Interest.
- 5.11. All Company employees are obliged to immediately (not later than on the next day of detection) notify their direct supervisors of all detected and possible Conflicts of Interest of other Company employees. The direct supervisor is obliged to immediately (not later than on the next day of the detection) notify the Management Board thereof.
- 5.12. Members of the Management Board and Supervisory Board of the Company shall prevent Conflicts of Interest when fulfilling professional duties and refrain from making decisions on financial or any other operations of the Company, which lead or may lead to a Conflict of Interest for the respective Management Board or Supervisory Board member.
- 5.13. Members of the Management Board and Supervisory Board of the Company shall notify the Supervisory Board of financial or any other operations which lead or may lead to a Conflict of Interest for the respective Management Board or Supervisory Board member.
- 5.14. The relationship between the Company and its only wholly-owning parent Dukascopy Bank SA shall be in strict compliance with the terms of contract between the Company and Dukascopy Bank SA on Outsourcing and White Label Agreement, as well as in compliance with internal enactments including this Policy, and with Compliance laws, rules and standards.
- 5.15. The Company informs the Client about the conflict of interests related to holding of Client's funds within the framework of the Company's group (Dukascopy Group). In cases, when conditions on the Clients investments protection differ from conditions valid in the Republic of Latvia, the Company informs the Client about conditions that apply to the Client's investments.
- 5.16. The Company regularly requires Dukascopy Bank SA to provide operative financial information and periodically analyses the received information. Based on the aforementioned analysis, the Company decides about the conditions on holding of Clients' FI and its transferring.
- 5.17. The Company notifies the Client of all cases where the Company receives or intends to receive compensation for services rendered to the Client from another person in the form of money, goods or services other than the standard fee for the service.
- 5.18. Company employees are responsible for any losses caused to the Company by means of conducting transactions which meet characteristics of ones stipulated in the section 5.6., or when Company employees are in the situation of the Conflict of Interest.
- 5.19. Every Company employee who has detected the potential Conflict of Interest is obliged to inform the Risk and Control Division about an Investment Services which the Company has provided or which has been provided on its behalf, and which significantly endangers interests of one or more Clients. Upon receipt of such reports, the Company's Risk and Control Division shall keep the reports, as well as constantly update the information by indicating the Investment Service's time, date and Conflict of Interest's features.

6. Execution of personal transactions

6.1. Associated Persons are not allowed to:

- 6.1.1. enter into personal transactions based on internal information obtained during the course of their employee or professional duties in the Company, execute personal transactions by disclosing confidential information on transactions or make a transaction in breach of the requirements for the Company in the Financial Instruments Market Act;
- 6.1.2. incite a third party to enter into such transaction that could be classified as personal transaction for the person who recommended the transaction;
- 6.1.3. to disclose information or express an opinion to a third person, if the person disclosing the information knows or should know that the disclosure would result in the third party recommending the conclusion of a FI transaction to another person which would be classified as personal transaction for the person who disclosed the information.

6.2. Pursuant to the Financial Instruments Market Act, Associated Persons are obliged to inform the Company's Management Board of any personal transactions they entered into.

6.3. A Company employee who receives the information or reveals a personal transaction related to persons indicated in the list of Associated Persons shall inform the Risk & Control Division. The latter enters information regarding the Associated Person and the transactions executed in the register of personal transactions based on the information provided by the corresponding persons.

6.4. The Company's employee involved in the provision of Investment Services and the responsible employee of the Risk and Control Division shall monitor whether the Associated Persons comply with the requirements set forth in the Policy.

6.5. The Supervisory Board of the Company may determine that an Associated Person requires a permit to conduct personal transactions.

6.6. The Company's Compliance Committee records information on granted and refused permits by indicating the permit and to whom it has been granted or denied.

7. Combining positions and other restrictions for company employees

7.1. Without a written agreement with the Company's Supervisory Board, employees may not:

- 7.1.1. be employed with a third party outside the Company on any type of contract except for Dukascopy Bank SA Group companies;
- 7.1.2. be employed in a combination of positions, if that creates a risk of potential, perceived or actual conflicts of interest or a damage the Company's reputation;
- 7.1.3. use working time and Company's resources for their own or a third party's benefit.

7.2. Company employees are entitled to work in various committees and/or working groups, the member composition of which is determined by a resolution of the Management Board.

7.3. Company employees shall not take part in commercial councils and boards that have business relationships with the Company, be employed by such entities or provide them with a service on the

basis of an agreement or authorization. This limitation does not apply to employees of Dukascopy Bank SA Group companies.

- 7.4. Company employees shall not be involved in businesses that might cause a Conflict of Interest between the two parties.
- 7.5. Company employees may not gain additional income on the Company's transactions, unless otherwise provided for in the internal enactments.
- 7.6. Company employees must refrain from activities mentioned in section 6.1 without the permission of the Management Board.

8. Prohibited activities for investment research employees

8.1. Persons performing Investment Research and Associated Persons are not entitled to:

- 8.1.1. enter into transactions on their own behalf and on the account of another person with FI on which Investment Research has been conducted, if these persons possess certain knowledge of the research subject which is not available to the Company or Clients, or about which conclusions cannot be made from information available to public as long as the recipients of the Investment Research have not had the opportunity to get acquainted with the content of the research and carry out activities basing on the research;
- 8.1.2. enter into personal transactions with FI that have been a subject of the Investment Research or with financial instruments related to these FI if the transaction is contrary to the investment recommendation stated in the Investment Research, unless such transaction is approved by the Company's Compliance Committee
- 8.1.3. accept valuable presents or cash from persons that might have an interest in the content of the Investment Research.