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# Conflicts of Interest Policy

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## 1 INTRODUCTION

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Leverate Financial Services Ltd (hereinafter, "the Company") is an Investment Firm regulated by the Cyprus Securities and Exchange Commission (hereinafter, "CySEC") with licence number 160/11.

The Conflicts of Interest Policy (hereinafter, the "Policy") is issued pursuant to, and reflects compliance with the Investment Services, Exercise of Investment Activities and the operation of Regulated Markets Law of 2017 – Law 87(I)/2017, as amended, (hereinafter, the "Law") its directives and circulars issued thereof.

This Policy is an adjunct to the Company's overarching general obligation to act honestly, fairly and professionally and in the best interests of its Clients and to comply, in particular, with the principles set out in the above legislation when providing investment services and other ancillary services.

## 2 DEFINITIONS

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A **relevant person** in relation to the Company means any of the following:

- (a) A member of the Board of Directors, partner or equivalent, manager, Tied Agent and service provider of the Company.
- (b) A member of the Board of Directors, partner or equivalent, or manager of any Tied Agent and service provider of Company.
- (c) An employee of the Company or of a Tied Agent or of service provider of the Company, as well as any other natural person whose services are placed at the disposal and under the control of the Company who is involved in the provision by the Company of investment services or/and the performance of investment activities.
- (d) A natural person who is directly involved in the provision of services to the Company or to its Tied Agent or to its service provider under an outsourcing arrangement for the purpose of the provision by the Company of investment services or/and the performance of investment activities.

## 3 WHAT IS A CONFLICT OF INTEREST

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A conflict of interest arises where there is a reason within the Company's control that prevents it from putting the interests of its Clients before those of the Company and its employees, or the interests of one Client or group of Clients ahead of another Client. In such a situation, the Company must pay due regard to the interests of each Client and manage any potential conflicts of interests accordingly.

The underlying principle that must be followed at all times is that the interests of a Client must always be put before the interests of the Company and/or its employees. A conflict may exist, or be perceived to

exist, if an employee's activity is, or may reasonably give the appearance of being, inconsistent with the best interests of the Company's Clients.

## **4 CRITERIA OF IDENTIFYING CONFLICTS OF INTEREST**

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### **4.1 General Principles**

The Company takes all reasonable steps to identify conflicts of interest situations between the Company, including its managers, directors, employees, tied agents and service providers, or any persons directly or indirectly linked to them by control and their clients or between one client and another that arise in the course of providing any investment and ancillary services, or combination thereof.

It is the duty of the Compliance Officer to abide by the following principles and act in such a way by continuously developing, designing and re-designing the appropriate procedures of the Company, so as to prevent and resolve potential conflicts of interest.

The Head of each Department/Function of the Company is also responsible to identify, prevent and manage conflicts of interests in its Department/Function and to duly report the details of the conflicts of interest identified to the Compliance Officer accordingly.

### **4.2 Criteria Giving Rise to Detrimental Conflict of Interest**

For the purposes of identifying the types of conflict of interest that arise in the course of providing investment and ancillary services or a combination thereof and whose existence may damage the interests of a Client, the Company takes into account, by way of minimum criteria, the question of whether the Company itself or a relevant person, or a person directly or indirectly linked by control to the Company, is in any of the following situations, as a result of providing investment or ancillary services or otherwise:

- a) The Company or any relevant person is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;
- b) The Company or any relevant person 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;
- c) The Company or any relevant person has a financial or other incentive to favor the interest of one Client over another;
- d) The Company or any relevant person carries on the same business as the Client;
- e) The Company or any relevant person receives, 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;

- f) The Company's may provide investment advice or portfolio management services to its Clients while also recommending or selling products issued by the Company and/or affiliated Companies.

## 5 IDENTIFICATION OF POSSIBLE CONFLICT OF INTEREST RISKS

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### 5.1 General Principles

The Company's Policy, in general, is to:

- (a) identify with reference to the investment and ancillary services carried out by the Company, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more Clients;
- (b) Specify procedures followed and measures adopted in order to manage such conflicts.

### 5.2 Circumstances

While it is not feasible to define precisely or create an exhaustive list of all relevant conflicts of interest situations that may arise, as per the current nature, scale and complexity of the Company's business, the following list includes circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more Clients, as applicable:

- (a) The possible use or dissemination of confidential information derived from the Dealing on Own Account Department or other business units of the Company (e.g. front running);
- (b) The Company acts as a Principal to the transactions/orders of the client but through its expertise, personnel, monitoring systems and execution of orders arrangements it safeguards the minimization of any currently existing conflicts of interest between the company and the client. The company will take remedy measures as soon as additional conflicts of interest arise from time to time and inform the client accordingly;
- (c) The interest of relevant persons, shareholders, directors or agents of the Company or members of its Group in Clients, and vice versa;
- (d) An interest in maximizing the Company's trading volumes in order to increase its commission revenue, which is inconsistent with the Client's personal objective of minimizing transaction costs;
- (e) The bonus scheme of employees/relevant persons which may be based on the Clients' trading volumes;
- (f) The remuneration of third parties where the interest of the Client conflicts with the interest of the third party.

It should be noted that the above circumstances which constitute or may give rise to a conflict of interest, are not conclusive. To be conclusive, the Company will explicitly examine and investigate further each of the above circumstances on a case by case basis and undertake additional due diligence measures in order

to have solid evidence that the case in question constitutes a conflict of interest, thus the necessity to act accordingly.

## 6 MANAGING CONFLICTS OF INTEREST

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### 6.1 General Principles

The Company maintains and operates effective organizational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its Clients.

Where a conflict of interest arises the Company endeavors to manage such a conflict promptly and fairly. Where the organizational or administrative arrangements made by the Company to manage conflicts of interest, are not sufficient to ensure, with reasonable confidence, that risks of damage to Client interests will be prevented, the Company shall clearly disclose the general nature or/and sources of conflicts of interest to the Client before undertaking business on its behalf (see also Section 6 below).

### 6.2 Policy

The Compliance Department ensures by implementing appropriate procedures and measures that relevant persons engaged in different business activities that may involve a conflict of interest carry on those activities at a level of independence appropriate to the size and activities of the Company and to the materiality of the risk of damage to the interests of its Clients.

The procedures followed and the measures adopted include such of the following as are necessary and appropriate for the Company to ensure the requisite degree of independence:

- (a) Effective procedures preventing or controlling the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more Clients.
- (b) The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of or providing services to, Clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Company.
- (c) The removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities.
- (d) Measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities.

- (e) Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.
- (f) The appropriate disclosure(s) to the Client in a clear, fair and not misleading manner to enable the Client to make an informed decision; and
- (g) A periodic review (at least on an annual basis) of the Company's execution arrangements.

Further to the above, the Compliance Department's duty is to abide by the following principles and acts in such a way by continuously developing, designing and re-designing the appropriate procedures and measures, so as to prevent and resolve potential conflicts of interest.

Furthermore, the Senior Management of the Company employs a number of techniques which manage and mitigate conflicts of interest including the following:

- (a) Fully engaged in conflict identification and management of the Company.
- (b) Takes a holistic view of conflicts risk and conflict mitigation within the full range of business activities for which they are responsible.
- (c) Receives information on the extent of, and mitigation of, conflicts of interest in their business in order to control their business effectively.
- (d) Reviews regularly the types of mitigation it considers acceptable to address conflict risks.

Further, the Internal Auditor is responsible for monitoring the implementation of the above on at least annual basis, as applicable.

### **6.3 Procedures and Measures**

For the management and prevention of conflicts of interest, the Company's procedures and controls include the following, as applicable and relevant:

### **6.4 Organisational Arrangements**

The Company has in place information barriers ("Chinese Walls"): No information and data are being disseminated/disclosed between the various business units of the Company and no officers and employees have access to data for which such access is not permitted.

In particular, the necessary Chinese Walls (both physical and electronic) are being constructed between the various organizational units of the Company, to prevent the flow of confidential information in a way which may adversely affect the interest of the Clients.

The Company always ensures that the various departments/functions are, in general, properly segregated for the proper performance of their duties/functions, while procedures for electronic Chinese Walls exist between the systems (e.g. different login credentials, different access rights).

In this respect, the following procedures and measures are being followed:

- (a) Chinese Walls – Organizational units that may give rise to conflicts of interests are located separately (i.e. physical separation of organizational units) or electronic information barriers must be set to stop and control the flow of information between the relevant departments. Such barriers are properly functioning and monitored by the Compliance Department and/or the Senior Management on a regular basis;
- (b) A Remuneration policy that ensures remuneration methodologies do not compromise the Company's duty to act in the best interest of Clients and the various control mechanisms' independence and objectivity;
- (c) Segregation of duties that may give rise to conflicts of Interest if carried on by the same individual;
- (d) Personal account dealing requirements applicable to all and any relevant people in relation to their own investments;
- (e) A gifts and inducements log registering the solicitation, offer or receipt of certain benefits;
- (f) The Employee Replacement Policy of the Company is strictly followed. Otherwise, no person is replacing another person in his/her duties without the prior consent of the Compliance Department. Such consent will be given by the Compliance Department after all issues of possible conflict of interest have been reviewed;
- (g) The Compliance Department ensures that the Executive Directors or other hierarchical officers do not exercise inappropriate influence over the way in which a *relevant person* carries out the provision of investment and ancillary services. This is verified by frequent personal interviews with all Heads of the relevant Departments.
- (h) The Compliance Officer is responsible for maintaining the respective Chinese Walls, by means of regular checks and is to be monitored by the Company's Internal Auditor.
- (i) The Company establishes user levels governing access to the Company's electronic and/or in hard copy form data and information.
- (j) The employees of the Company refrain from discussing confidential information in public areas such as hallways, restrooms or social gatherings.
- (k) The employees of the Company ensure that documents containing confidential information are not accessible by unauthorized persons.



- (l) All employees are bound by professional secrecy and confidential information is only being shared if this is deemed necessary for performing a job function.
- (m) All employees are at all times bound to act loyally to the Company and be in full compliance with its procedures.
- (n) All employees receive instructions and guidance regarding managing of conflicts of interest.
- (o) All clients are treated equally and fairly.
- (p) The persons providing investment services possess all necessary certificates of professional competence required for providing the relevant services or granted with relevant exception from CySEC.
- (q) The prohibition of external business interests conflicting with the Company's interest as far as officers and employees of the Leverate group of companies are concerned, unless the management and/or Board of Directors of the Company approved this;
- (r) The Company takes all necessary steps to employ persons with the highest educational, ethical and professional courtesy standards, in line also with CySEC's [Guidelines GD-IF-01](#);
- (s) Establishment of the four-eyes (4-eyes) principle in supervising the Company's activities.
- (t) Establishment of an in-house independent Compliance Department to monitor and report on the above to the Company's Board of Directors.

## 7 GROUP

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### 7.1 Policy: General

The Company takes into account any circumstances, of which it is or should be aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the Group in which the Company belongs to.

The Company enforces specific arrangements designed to ensure that *relevant persons* engaged in different business activities carry on those activities at a level of independence appropriate to the size and activities of the Company and of the Group to which it belongs, and to the materiality of the risk of damage to the interests of Clients.

### 7.2 Procedures & Controls

The procedures included throughout this Policy also apply to any outsourced entity's employee coming into contact with the Company or its Clients, directly or indirectly, as decided by the Compliance Officer.

In this respect, the Compliance Officer keeps and updates a list of such employees, which come into contact with the Company or its Clients, directly or indirectly, creating, thus, the possibility of a conflict of interest situation.

For all Group employees on such a list, all procedures included in this Policy for Company's personnel will apply.

Furthermore, as a minimum standard the Company has in place arrangements designed to ensure that:

- (a) divisions and legal entities of the Group operate with appropriate independence from one another;
- (b) there is controlled flow of information between different Group entities/outsourcing service providers where, otherwise, the risk of a Conflict of Interest may harm the interests of a Client;
- (c) supervisory arrangements provide for separate supervision of staff of the different Group entities where necessary for the fair management of Conflicts of Interest, as applicable;
- (d) There are appropriate controls in place to identify and manage cross-board memberships and outside business interests of relevant persons.

## **8 COMPLIANCE DEPARTMENT AND TRAINING**

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The Compliance Officer ensures by means of regular checks and inspections that the procedures and controls mentioned in this Policy are being followed.

Furthermore, the Compliance Officer is responsible for the following:

- (a) All certified officers of the Company become aware of the Description/Guidelines of the Company's Internal Operations Manual and this Policy.
- (b) The certified officers of the Company, when faced with a possible conflict of interest situation as indicated in the above, immediately contact the Compliance Officer and notify him of the fact.
- (c) The relevant employees be constantly trained by the Compliance Officer in order to have the ability and knowledge to identify cases of conflict of interests.
- (d) The Compliance Officer, at least once a year, verify that all employees (including newcomers) are aware of all of the above.

## **9 INDUCEMENTS**

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The Compliance Officer performs an assessment at least once a year whether the existence of any payments and non-monetary benefits paid or provided to or by a third party or a person on behalf of a third party in relation to the provision of an investment or ancillary service to a Client by the Company is in compliance with the inducement rules under the Law, as and if applicable.

The Internal Auditor is exercising continuous scrutiny over the receipt or payment of any inducements in order to be in line with the Company's Inducement Policy and the Law, as and if applicable.

As regards to inducements, according to the relevant legislation, the Company will act honestly, fairly and professionally in accordance with the best interest of a Client if (in relation to the provision of an investment or ancillary service to the Client) it pays or is paid any fee or commission, or provides or is provided with any non-monetary benefit, other than the following:

- (a) a fee, commission or non-monetary benefit paid or provided to or by the Client or other person on behalf of the Client;
- (b) a fee, commission or non-monetary benefit paid or provided to or by a third party or a person acting on behalf of a third party, where the following conditions are satisfied:
  - i. the existence, nature and amount of the fee, commission or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, must be clearly disclosed to the Client, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant investment or ancillary service.  
It is provided that the Company may disclose the essential terms of the arrangements relating to the fees, commissions or non-monetary benefits in summary form, provided that it undertakes to disclose further details at the request of the Client and provided that it honors that undertaking.
  - ii. the payment of the fee or commission, or the provision of the non-monetary benefit must be designed to enhance the quality of the relevant service to the Client and not impair compliance with the Company's duty to act in the best interests of the Client.
- (c) proper fees which enable or are necessary for the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which, by their nature, cannot give rise to conflicts with the Company's duties to act honestly, fairly and professionally in accordance with the best interests of its Clients.

As such, any commission paid or provided to or by a third party or a person acting on behalf of a third party (i.e. a person other than the Client) complies with the provisions of point (b) above, as applicable.

## 10 PERSONAL TRANSACTIONS

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The Company's relevant persons, and, specifically, personnel having access, because of their position and access in the Company, to trading information of Clients which may influence the prices of financial instruments, subject to the policy of the Company on Personal Transactions, as this is maintained and may be amended, by the Compliance Officer:

- (a) inform the Company of their investment accounts.
- (b) are prohibited from keeping accounts in other financial services firms without the Company's authorization and are prohibited from performing own account transactions without the permission of the Company.
- (c) are obliged to authorize the Company to directly take delivery from the financial services company where they keep such accounts, of updates concerning the transactions performed.

Reports for compliance with these provisions are submitted to the COO and monitored by the Company's Internal Auditor.

The above employee's obligations are enforced by the "Declaration of Outside Interest" signed by all Company's employees, including executive and non-executive Directors.

The Company keeps a record of Personal Transactions notified to it by the Relevant Persons.

If the Company outsources any of its services and/ or activities, it ensures that the service provider, to whom this service or activity is outsourced, maintains a record of personal transactions entered into by any relevant person and is able to provide this information promptly on the Company's request.

## **11 FORBIDDEN TRANSACTION PRACTICES**

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All the employees are aware of the following forbidden transaction practices, and it is their responsibility to inform the Compliance Officer immediately in case any of these appear:

- (a) the provision to the Client of investment and ancillary services with the purpose of influencing the price of financial instruments for the benefit of the Company or related persons, particularly with respect to transactions that the Company or related persons are about to effect before or after the provision of the said investment and ancillary services.
- (b) the use of Client transaction information by the Company for own benefit or the announcement to third persons of such information.
- (c) the preferential treatment of Company members of staff at the expense of its Clients, during the provision of the investment and ancillary services to a Client.
- (d) the effect of transactions by members of the Company's staff and directors for their own account, or for the account of persons related to them, on the basis of confidential information which they acquire during course of their employment with the Company.

## 12 ADDITIONAL MEASURES

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1. The Compliance Officer ensures by means of regular checks and inspections that the procedures and controls included in this policy are being followed.
2. The Internal Auditor is responsible for monitoring and supervising all the procedures and controls regarding the Company's conflict of interest policy, at least once a year.

The Company, its employees and other third parties acting on the basis of agreements with the Company, may have an interest in maximizing trading volumes in order to increase dealing revenues or their variable remuneration pay. This may be inconsistent with the principles of treatment of clients. LFS employees may also receive bonuses or other form of variable pay that links to the trading performance of clients.

Management of conflict of interest in such situations may include the following steps:

- Employees who receive any form of variable pay are subject to vesting periods,
- Incidents of conflicts of interest or any other compliance breach lead to suspension of vested rights and/ or clawback of any awards and/ or termination of employment,
- Awards are structured so as to have regard to long term client satisfaction as opposed to short term Company gains.

## 13 DISCLOSURE OF INFORMATION

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The summary of this Policy is available through the Company's website, and the Client is aware of its existence and agrees to this Policy's summary prior to the signing of a financial services agreement with the Company. In this summary, the general nature and the conflicts of interest are clearly available to the Clients before the Company provides any services while this disclosure includes sufficient detail, taking into account the nature of the Client, with the aim to enable that Client to take an informed decision with respect to the investment or ancillary service in the context of which the Conflict of Interest arises.

If during the course of a business relationship with a Client or group of Clients, the organizational or administrative arrangements/measures in place which are mentioned throughout this Policy are not sufficient to avoid or manage a conflict of interest relating to that Client or group of Clients, the Company will disclose the conflict of interest before undertaking further business with the Client or group of Clients. The Compliance Officer has the responsibility to make/oversee such communication.

## 14 RECORDS

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The Company keeps and regularly updates a record of the investment or ancillary services carried out by the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise, as and if applicable.

The Compliance Officer with the assistance of the Back Office Department is responsible for maintaining the appropriate records in this respect.

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