



# CONFLICTS OF INTEREST POLICY

Appendix No 19 to the INTERNAL PROCEDURES MANUAL

## VERSION CONTROL

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1	21.08.2015		Head of Legal Department	Board of Directors	21.08.2015
2	31.07.2018	Updated to improve policy	Head of Legal Department	Board of Directors	31.07.2018
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4	30.10.2019	Split in a separate document from Personal Transactions Policy	Head of Legal Department	Board of Directors	30.10.2019

## GENERAL

Following implementation of the Markets in Financial Instruments Directive II (MiFID II) 2014/65/EU in the European Union and based on the Investment Services and Activities and Regulated Markets Law of 2017 (Law 87(I)/2017) in Cyprus, the Company is required to provide its potential Clients with a summary of its Conflicts of Interest Policy (hereafter referred to as the “Policy”).

SKANESTAS INVESTMENTS LIMITED (the “COMPANY”) takes all reasonable steps to identify and avoid any conflict of interest.

The COMPANY shall adopt, to the extent possible, the necessary measures in order to avoid any potential conflicts of interest or resolve any existing conflicts of interest between itself or persons associated with itself and its clients, or amongst its clients, and where this is not possible, to make provision in order for its clients to enjoy fair and proper treatment on the basis of objective and legal criteria.

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

The COMPANY is expected to make organizational and administrative arrangements to manage conflicts of interest that are sufficient to ensure, with reasonable confidence, that risks of damage to client interest will be prevented in relation to any and all investment and ancillary services the COMPANY provides or will provide to its clients in accordance with its operating license. Effective management of any conflict of interest that may from time to time arise when providing various investment and/or ancillary services shall be performed by adopting reasonable measures to promptly identify and prevent such conflicts from damaging client interests as soon as practically feasible.

The Conflicts of Interest Policy should include the following:

- a) Any circumstances, of which the COMPANY 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 the COMPANY
- b) Identify, with reference to the specific investment services and activities 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
- c) Any circumstances, of which the COMPANY is likely to make a financial gain, or avoid a financial loss, at the expense of the client
- d) Any circumstances, of which the COMPANY 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
- e) Any circumstances, of which the COMPANY has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client
- f) Any circumstances, of which the COMPANY carries on the same business as the client
- g) Specify procedures to be followed and measures to be adopted in order to manage such conflicts
- h) Specify arrangements designed to ensure that the procedures and measures provided above are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest 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.

Following the Delegated Directive (EU) 2017/565 of 25 April 2016, the procedures to be followed and measures to be adopted shall include at least those items in the following list that are necessary for the Company to ensure the requisite degree of independence:

- a) effective procedures to prevent or control 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 firm;
- 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.

**Leverage products and potential conflict of interests.** Leveraged products are financial instruments that enable traders to gain greater exposure to the market without increasing their capital investment. Some of the main leveraged products are: contracts for difference (CFD), forex trades, binary products, etc. **The Company provides only regulated financial instruments and is not involved in any complex speculative products such as CFD's, binary options and rolling spot forex.** All leveraged transactions are intended to benefit the client, in accordance with Appropriateness (Brokerage) and Suitability (Portfolio Management) tests result and are provided on the Client's expressed request.

There are number of instances that involve leverage instruments and operations as described in the Leverage Policy of the Company, which shall describe a range of policy measures that may be adopted by BOD to address the specific risks arising from the offer and sale of the relevant products.

These vary from leverage limits and pricing methodologies to restrictions on certain marketing activities and a prohibition on the sale and/or distribution by intermediaries of the products to retail investors.

There concerns about the offer and sale of these complex and risky products to retail investors, in particular over the level of losses experienced by retail clients trading in them and the manner in which these products are mass-marketed to consumers.

High levels of leverage pose considerable risks to retail investors, including:

- a) exposing clients to a high probability and high value of losses, which can exceed their deposited funds
- b) exacerbating the impact of costs and charges
- c) increasing the risk of conflicts of interest, particularly for firms who take the other side of their clients' trades and who therefore directly benefit from client losses
- d) posing a credit risk to the firms themselves.

The potential conflict of interests, for instance, can arise from when the investment firm acts as the counterparty to the client's trades and where it might be directly benefiting from the client's losses.

Potential conflicts also arise from the lack of transparency in the pricing of the relevant products.

## PROCEDURES & CONTROLS

All employees of the Company shall become aware of the Description/Guidelines with regard to the Conflict of Interest identification and management, and the Compliance Officer shall ensure that the relevant employees have the ability and knowledge to identify such cases of conflict of interests.

The Compliance Officer, at least once a year, will verify that all employees (including newcomers) are aware of the above.

Employees of the Company, when faced with a possible conflict of interest situation as indicated in the above, will immediately contact the Compliance Officer and notifying him of the fact.

Given the nature of the conflict of interest situation, the Compliance Officer shall decide whether to allow the transaction by notifying the Client, or not allow the transaction all together.

## SERVICES OR ACTIVITIES 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 shall need to take into account, by way of minimum criteria, the question of whether the Company or a relevant person, or a person directly or indirectly linked by control to the Company, is in any of the following situations, whether as a result of providing investment or ancillary services or investment activities or otherwise:

- a) the Company or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the Client
- b) the Company or that 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 that person has a financial or other incentive to favor the interest of another Client or group of Clients over the interests of the Client
- d) the Company or that person carries on the same business as the Client
- e) the Company or that person receives or will receive from a person other than the Client an inducement in relation to a service provided to the Client, in the form of monies, goods or services, other than the standard commission or fee for that service
- f) The policy also takes into account any circumstances, of which the firm 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.

The employees of the Company are prohibited from being involved in situations, which may result to:

- a) A financial gain at the expense of the client
- b) An interest of the employee from the outcome of a service provided to clients
- c) Favours the interest of a client at the expense of another client
- d) An employee carrying on the same business as the client
- e) Receipt of an inducement in relation to a service provided to clients.



If the adoption or the practice of one or more of the above measures and procedures does not ensure the requisite degree of independence, alternative or additional measures and procedures shall be suggested as necessary and appropriate for this purpose to be adopted.

All executives and members of staff of the Company must declare to the Company any special participation they may possess in the share capital of any company in which the Company is also a shareholder.

All executives and members of staff of the Company must declare to the Company any relation (up to second degree relation) to any major shareholder or member of the Board of any company in which the Company has special participation.

All executives and members of staff of the Company must declare to the Company any relation (up to second degree relation) to other members of staff of other departments of the Company.

### **MISUSE OF “INSIDE INFORMATION”**

The employees of the Company are prohibited from misusing “inside” or “non-public” information as such terms are defined above.

The following provisions should therefore be adhered to:

- a) No associated person may purchase or sell a security or cause the purchase or sale of a security for any account while in possession of “inside” information relating to that security
- b) No associated person may recommend or solicit the purchase or sale of any security while in possession of “inside” information relating to that security
- c) No associated person may disclose “inside” information to others, except disclosures made in accordance with the Company’s policies and procedures to other Company personnel or persons outside the Company who have a valid business reason for receiving such information
- d) No associated person may purchase or sell or cause the purchase or sale of a security for an employee or employee-related account or a proprietary account of the Company or an account over which an employee exercises investment discretion, while in possession of “proprietary” information concerning a contemplated block transaction in the security or for a client account when such client has been provided such information by any associated person.

The Compliance Officer shall be responsible for control and reporting if such Chinese Walls are monitored within the Company, by means of regular checks and will be monitored by the Company’s Internal Auditor.

### **RECORD OF SERVICES OR ACTIVITIES GIVING RISE TO DETRIMENTAL CONFLICT OF INTEREST**

The Compliance Officer shall have the responsibility to keep and regularly update (at least annually or when the new circumstances arise) a record of the kinds of investment service or activity 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, including any actions taken, as well as any consents given.



The Company maintains records, which are regularly monitored and updated, of the kinds of investments and ancillary services or investment activities carried out by the Company or on its behalf in which there is a risk for conflict of interest that may damage the interests of one or more clients has arisen.

## **FORBIDDEN TRANSACTION PRACTICES**

In order to prevent potential conflicts of interest between the Company, its members and the Clients of the Company, the following transaction practices shall be forbidden. All the employees must be aware of the following forbidden transaction practices, and shall be 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.

## **DISCLOSURE TO CLIENTS AND POTENTIAL CLIENTS**

Before the Company provides any services, where there is a potential conflict of interest present, the Company shall need to disclose to the Client or potential Client the general nature and any conflicts of interest potentially present.

This shall be made in a durable medium and include sufficient detail, taking into account the nature and profile of the Client, to enable the Client to take an informed decision with respect to the investment or ancillary service in the context of which the conflict of interest arises. The Compliance Officer shall have the responsibility to make/oversee such communication. Following such communication, the consent of the Client shall need to be obtained and recorded before proceeding with the provision of the service.

## **CHINESE WALLS**

Chinese walls in the Company refer to the distinct segregation between different units or activities or departments. This is done to block the exchange of information and to preserve the use of confidential information. The ultimate objective of Chinese walls is thus to eliminate the misuse of inside information or non-public proprietary information.

Chinese walls are organizational and technical barriers set up between various areas within the Company, where the confidential information flow is limited to the extent necessary for the performance of the professional duties.



In order to comply with these principles the Company's personnel is expected to observe the following simple, but yet extremely important rules:

- a) Company employees must refrain from discussing confidential information in public places such as elevators, hallways, restrooms or at social gatherings;
- b) Unauthorized persons and members of staff of other departments are not allowed to enter the premises of the Company or other departments unless accompanied and supervised by relevant members of staff;
- c) Company employees must avoid using speakerphones in areas where unauthorized persons may overhear conversations;
- d) Where appropriate, employees should maintain the confidentiality of the identity of Clients by using code names or numbers for confidential projects;
- e) Employees are expected to exercise care to avoid placing documents containing confidential information in areas where they may be read by unauthorized persons and store such documents in secure locations when they are not in use;
- f) Employees are expected to destroy (by shredding) copies of confidential documents no longer needed for a project or not otherwise required to be maintained under legislation;
- g) Associated persons engaging in meetings with corporate officers of companies for the purpose of gathering information for research reports or follow up meetings with companies, shall maintain written notes of said meetings;
- h) The Company's records that may contain material non-public information shall be kept in locked drawers and file cabinets. They shall only be removed when needed for working on the deal, and shall be locked up each evening;
- i) When documents containing non-public material information are to be disposed of, they shall be destroyed by shredding or some other secure manner, which can prevent readable copies from accidentally falling in the hands of non-insiders;
- j) The employees of the subdivisions, executing different types of professional activity are placed in different rooms according to the functional characteristics. If for any reason all members of staff leave the room where they are located during working hours, the door is locked;
- k) Access to the premises and the computer network of the Company during weekends and on holidays is granted only if prior permission by an authorised person is obtained in advance;
- l) At the end of each working day, all computers and peripherals (computers, printers, etc) are shut down or locked by password;
- m) In case of absence of an employee from his/her working place for a long period of time, access to the Company's network is suspended until his/her return.
- n) The supervision of the relevant persons who principal activity involves carrying out activities, which may fall under Conflict of Interest situations, shall be done separately.
- o) No person shall replace another person in his/her duties without the prior consent and approval of the Compliance Officer to the Company's Replacement Policy. Such consent will be given by the Compliance Officer after all issues of possible conflict of interest have been reviewed.

- p) The prior consent and approval of the control functions and Executive Director is required for appointment of persons with multiple positions, 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.
- q) The Compliance Officer shall ensure check and report to the Board if, to his/her opinion, the executive directors or other hierarchical officers exercise inappropriate influence over the way in which a relevant person carries out the provision of investment and ancillary services. This shall be verified by frequent personal interviews with all Heads of the Departments
- r) The procedures for personal transactions shall be strongly followed. The employees of the Company are prohibited from investing in securities for which they have access to “non-public” or confidential information. Transactions by the Company’s employees are neither performed nor executed by themselves, but by another member of staff of the Company. Employees are also prohibited to keep investor accounts in other Investing Firms without the Company’s prior authorization and are obliged to bring this to Company’s attention
- s) The security features of the system (as described in the IT Section) prevents unauthorized access to sensitive information in order to benefit the Company over its clients
- t) The remuneration policies and principles should provide for 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.

## INDUCEMENTS

Inducements are any fees, commissions or other monetary benefits, as well as all non-monetary benefits.

A gifts and conflicts of interest register is maintained and regularly monitored to ensure inducements and other conflicts of interest do not influence procurement and strategic decisions.

The Company, in the process of providing certain Services, other than Portfolio Management, may pay or be paid fees or commissions, or provide or be provided with non-monetary benefits (all together “Inducements”), in connection with the provision of an investment or an ancillary service, to or by any party except the client or client’s representative, only where the inducement is designed to enhance the quality of the service to the client and the inducement does not impair compliance with our duty to act honestly, fairly and professionally, in accordance with client’s best interests.

Where The Company provides Portfolio Management Service to Clients, is not allowed to accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of such service to Clients.

Nonetheless, The Company may receive from or provide third parties with minor non-monetary benefits that are capable of enhancing the quality of service provided to Clients and are of a scale and nature such that they could not be judged to impair compliance with our duty to act in your best interest.

Minor non-monetary benefits that are acceptable include, amongst others, the following (this is a non-exhaustive list):



- a) Information or documentation relating to a Financial Instrument or an investment service, which is generic in nature or personalised to reflect the circumstances of an individual client
- b) Written material from a third party that is commissioned and paid for by, for instance, a corporate or potential issuer to promote a new issuance, provided that the relationship is clearly disclosed in the material and that the material is made available to anyone wishing to receive it or to the general public
- c) Participation in conferences, seminars and other training events on the benefits and features of a specific Financial Instrument or an investment service
- d) Hospitality of a reasonable de minimis value, such as food and drink during a business meeting, conference, seminar or other training event
- e) other minor non-monetary benefits as identified by individual Member States.

## **ADDITIONAL PROCEDURES AND MEASURES RELATED TO THE CONFLICT OF INTERESTS**

### **Policy of independence**

All Company's employees are required to comply with the policy of independence. Adherence to the policy of independence will ensure that independent action is taken at all times.

When acting on behalf of a client, the Company employees must disregard any corporate or personal relationship, arrangement or interest that is likely to influence, in a manner material to the client, the action undertaken in relation to the transaction or service in question.

Steps taken by the Company to manage actual and potential conflicts include 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 the conflicts of interest.

### **Business activities and potential conflict of interests**

It may be in the Company's interest to purchase financial instruments in the context of portfolio management where the Company has special benefits from such purchase. To address this risk:

- a) the portfolio management is organizationally segregated from trading desk
- b) the portfolio management is independent in its investment decisions
- c) in relation to portfolio management services, the Company may not accept and retain benefits by any third party; non-monetary benefits may exceptionally be accepted only if they are minor, are capable of enhancing the quality of the service, are of a scale and nature not to impair the best interest of the client, and are clearly disclosed to the client
- d) the Company will disburse any monetary benefit paid by any third party in the context of portfolio management service to the entitled customers as soon as reasonably possible after receipt
- e) the Company will inform its customers about any fees, commissions or monetary benefits transferred to them, such as through the periodic reporting statements provided to the customers.

Another typical conflict of interest in the context of portfolio management may arise from performance-related remuneration agreements. In this context, there could be the risk that the Company employee

responsible for portfolio management would incur disproportionate risks in order to achieve the highest possible performance which, in turn, will result in increased remuneration (potential risk, depending on the future structure of the Company).

## **Compliance function**

All relevant persons of the Company shall become aware of this Policy and the Compliance Officer shall ensure that the relevant employees will have the ability and knowledge to identify such cases of conflict of interests.

Given the nature of the conflict of interest situation, the Compliance Officer shall decide whether to allow the transaction by notifying the Client, or not allow the transaction all together.

Company's Compliance Officer is monitoring compliance with these measures and therefore the management of Conflicts. Company's Compliance Function keeps and regularly updates a record of conflicts of interest and senior management receives a written report, at least annually, where conflicts of interest have arisen.

The relevant persons of the Company, when faced with a possible conflict of interest situation as indicated in the above, will immediately contact the Compliance Officer and notify him/her of the fact.

The control on the compliance of the internal rules with the legal requirements under MiFID II requirements and Company standards. Apart from prevention of market abuse, one of the main purposes of Compliance function is to identify and manage conflicts of interest. The Compliance department may use this information when monitoring Personal Account transactions and/or those of an executive's client (particularly discretionary); and may also need the details to respond in a timely manner to any CySEC enquiries.

Brokerage department acts in the best interests of clients and under duty of confidentiality. Disclosure of client's details should be reasonable only in cases based on the law provisions.

Policy for execution of clients' orders, which is important measure for investors' protection, has been adopted in the Company in accordance with the legal requirements.

The disclosure of conflicts of interest will be carried out only in case the Company does not possess other measures to resolve it. The affected client will be provided with information about the conflict of interest, so that the same may take informed decision regarding the investment service in relation to which conflict of interest arises.

The direct connection between the remuneration of the employees engaged with investment services or products and the income, generated from other investment activity or product within the Company is not allowed when conflicts of interest may arise between the both activities.

Remuneration arrangements ensure that a balance is maintained between achievement of trading volume or profitability and quality of performance, adherence to compliance requirements and acting in accordance with the Company's values and behaviors.

This deals with the risk that remuneration policy may encourage staff to take account of their own earnings from a potential transaction rather than the best interests of the client. All staff are aware of their obligations to act in the client's best regardless of personal benefit.

Complaints handling procedures are in place and referred to the Compliance department for monitoring/evaluation and to take an overview or make ruling.

Disclosure statements in letters and contract notes make it clear to clients the scope of service being provided.

The conflicts of interests prevention mechanism includes several organizational and administrative provisions that allow the identification of conflicts of interests.

Organizational or administrative schemes aimed at preserving the degree of independence required for employees, in the performance of their duties, in particular with a view to:

- a) prevent or control the exchange of information within the Company
- b) appropriately organize reporting lines
- c) prevent or limit the exercise by any person of an inappropriate influence on how an employee has to provide a service
- d) prevent or control the simultaneous or consecutive participation of an employee in several distinct services or activities, when such participation could adversely affect the proper management of conflicts of interests.

Remuneration policy particularly processes the following aspects:

- a) transparency: the client is informed about the existence of any remuneration or benefit paid to or received from third parties other than the client. Any remuneration or benefit is acceptable only if its aim is to improve the quality of the service offered and does not adversely affect the obligation to act honestly, fairly and professionally in the best interests of the client
- b) lack of incentives against the interests of clients: employees who are directly or indirectly linked to investment services do not benefit from any remuneration that may cause them to fail to act in the interest of the client.

The employees of the Company are not allowed to request or accept, for themselves or the related parties, payments or other benefits, which may raise reasonable doubt in their objectivity.

Article 9 of MiFID II Regulation states that the management body of an investment firm defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of the investment firm including the segregation of duties in the investment firm and prevention of conflicts of interest.

The current Conflicts of Interest Policy of the Company was developed in accordance with Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 (MiFID II) and Cyprus Law L. 87(I)/2017 for the provision of investment services.