

Zerich Securities Limited

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CONFLICT OF INTEREST POLICY

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CONFLICT OF INTEREST POLICY

1. ABOUT THE POLICY

This Conflict of Interest Policy (hereinafter the “Policy”) is provided to clients in accordance with the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters Law 87(I)/2017 (“hereinafter the “Law”), as subsequently amended from time to time, pursuant to which Zerich Securities Limited (hereinafter the “Company”) is required to take all reasonable steps to detect, handle and/or mitigate conflicts of interest.

The Company is committed to act honestly, fairly and professionally and in the best interest 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 related to such investment services. The purpose of this document is to set out the Company’s approach in identifying and managing conflicts of interest which may arise during the course of its normal business activities. In addition, this document identifies circumstances which may give rise to a conflict of interest.

2. SCOPE

The Policy applies to all its directors, employees, any persons directly or indirectly linked to the Company (hereinafter “Related Persons”) and refers to all interactions with clients, particularly, it aims to identify conflict of interest between:

- a) the Company or any person directly or indirectly linked to the Company by control and the clients; and
- b) one client and another.

The Company respects the transparency and integrity of the market and it maintains and operates effective, organizational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflict of interest from constituting or giving rise to a material risk of damage to the interests of the clients. The requirement to identify and manage conflicts of interest applies equally to all types of clients (retail, professional and eligible counterparties).

Further, the Policy shall raise the awareness about potential conflicts of interest occurring between “Non-Related Persons” to the Company and the Company’s clients, i. e. where the Company’s client has a direct agreement with an asset management companies, portfolio management companies, investment advisors, etc.

3. OBJECTIVES

The Company ensures that from time to time its systems, controls and procedures are robust and adequate to identify and manage any conflict of interest that may arise, and to ensure, as far as practicable, that all the arrangements made under this Policy operate effectively.

The Policy sets out the following:

- a) defining, in relation to the investment activities and ancillary services that the Company provides, the circumstances which may give rise to conflict of interest entailing a material risk of damage to client’s interests;
- b) defines the procedures, systems and mechanisms that the Company has established to manage those conflicts.

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 and/or sources of conflicts of interests to the client before undertaking business.

4. IDENTIFICATION OF CONFLICT OF INTEREST

When the Company deals with the client, the Company, an associate or other third-party person connected with the Company may have an interest, relationship or arrangement that is material in relation to the client's transaction concerned or conflicting with the client's interest.

While it is not feasible to define precisely or create an exhaustive list of all relevant conflicts of interest that may arise, as per the nature, scale and complexity of the Company's business there exist certain 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 a result of providing investment services.

Non-exhaustive list of circumstances which constitute or may give rise to a conflict of interest:

1. the Company may have an interest in maximizing trading volumes in order to increase its commission revenue, which is inconsistent with the client's personal objective of minimizing transaction costs;
2. the Company's likely to make financial gain or avoid financial loss at the expenses of the client;
3. the Company may receive or pay inducements to or from third parties due to the referral of new clients or clients' trading in the form of money, goods or services, other than the standard commission or fee for that service;
4. the Company or a Related 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;
5. the Company or a Related Person receives a financial or other incentive to favour the interest of another client or group of clients over the interest of other client;
6. the Company is in the same business as the client;
7. the Company, its employees, related and affiliated persons may participate or have personal relationships with supervisory or advisory boards.

5. IDENTIFICATION OF CONFLICT OF INTEREST WITH NON-RELATED PERSON

When the client entered into an agreement (i. e. portfolio management agreement) with a Non-Related Person to the Company, the Non-Related Person may have an interest, relationship or arrangement that is material in relation to the transaction concerned or is conflicting with the client's interest.

The Company wants to raise the awareness of the client about practices that could be conflicting with the client's interest and should be considered when entering into agreements with a third party. The following list is non-exhaustive and other potential conflicts of interest could derive from third party contracts:

1. the Non-Related Person may be remunerated by the client in a way that incentivizes the Non-Related Person to maximise client's trading volumes, which is inconsistent with the client's personal objective of minimizing transaction costs;
2. the Non-Related Person may be remunerated by the client in a way that incentivizes the Non-Related Person to apply trading strategies, which maximise the Non-Related

Person's profits. This may be inconsistent with the client's personal objective of profit/risk allocations;

3. the Non-Related Party may have, establish, change or cease to have positions in the same financial instrument(s) where an investment advice has been given to Company client;
4. the Non-Related Person has financial or other incentive to favour the interest of another client or group of clients over the interest of the first client;
5. the Non-Related Person's bonus scheme may award its employees based on the trading volume of Company client etc.

6. CIRCUMSTANCES THAT WOULD CONSTITUTE CONFLICT OF INTEREST

Taking into consideration the services the Company offers, particularly, reception, transmission and execution of orders and ancillary services and a combination thereof, the non-exhaustive list of circumstances which may constitute or many give rise to a conflict of interest is the following:

1. Where the Company or relevant person receive substantial gifts or entertainment (including nonmonetary inducements) that may influence behaviour in a way that conflicts with the interests of the client;
2. Where a transaction is effected in securities in respect of which the Company may benefit from a commission, fee, mark-up or mark-down payable otherwise than by a client, and/or Company may also be remunerated by the counterparty to any such transaction;
3. Where a director or employee of the Company is a director of, holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in on behalf of a client;
4. Where the Company may act as agent for a client in relation to transactions in which it is also acting as agent for the account of other client(s) and/or group companies;
5. Where a transaction is effected in securities issued by an affiliated company or the client or customer of an affiliated company;
6. The Company deals on behalf of the client with, or in the securities of an affiliated company;
7. Where a transaction is effected in units or shares of connected investment trusts or unit trusts or open ended investment companies or of any company of which the Company or an affiliated company is the manager, authorised corporate director, operator, banker, adviser, custodian, administrator, trustee or depositary;
8. Where the Company acting as agent for the client, matches an order of the client with an order of another client for whom it is acting as agent.

7. PROCEDURES AND CONTROLS FOR MANAGING CONFLICT OF INTEREST

In determining what steps are reasonable to identify and manage conflict of interest, the Company takes into account:

- a) the level of risk that a conflict of interest may constitute or give rise to material risk of damage to the interests of the clients;
- b) the nature of the conflicts in question;
- c) the nature and range of services offered to the particular client.

The procedures and controls the Company follows to identify and manage the recognized conflict of interest include the following measures (list is non-exhaustive):

1. the Company undertakes ongoing monitoring of business activities to ensure that internal controls are appropriate;
2. the Company undertakes effective procedures to prevent or control the exchange of information between Related Persons engaged in activities involving a risk of a conflict of interest, where the exchange of that information may harm the interest of one or more clients;
3. the separate supervision of Related Persons, whose principal functions involve providing services to clients, whose interest may conflict, or who otherwise represent different interest that may conflict, including those of the Company;
4. measures to prevent or limit any person from exercising inappropriate influence over the way in which the Related Person carries out investment services;
5. measures to prevent or control the simultaneous or sequential involvement of a Related Person in separate investment services, where such involvement may impair the proper management of conflicts of interest;
6. Chinese walls restricting the flow of confidential and inside information within the Company, and physical separation of departments;
7. no single employee will gather conflicting information, thus counterfeiting or hiding information from investors is minimized;
8. adequate records are maintained of the services and activities of the Company where a conflict of interest has been identified;
9. relevant information is recorded promptly in a secure environment to enable identification and management of conflicts of interest;
10. segregation of duties that may give rise to conflict of interest if carried out by the same individual;
11. it is not allowed to combine duties which may lead to conflict of interest (i. e. performing execution of clients' orders and compliance duties);
12. personal account dealing requirements applicable to Related Persons in relation to their own investments (employees are prohibited from investing in securities for which they have access to non-public or confidential information);
13. personal transactions of employees are neither performed nor executed by themselves, but by another member of staff;
14. all Employees and representatives, if required by the regulatory authority, hold the necessary license to perform the duties of their positions;
15. establishment of in-house Compliance department to monitor and report to the Company's board of directors on the above;
16. prohibition of officers and employees of the Company having external business interest conflicting with the interest of the Company without prior approval of the Company's board of directors;
17. appointment of an internal auditor to ensure appropriate systems and controls are maintained and report to the Company's board of directors any deficiencies;
18. establishment of the "four-eyes" principle in supervising the Company's activities;
19. establishment of the "four-eyes" principle for transferring clients' funds;
20. Employees sign a confidentiality agreement that no Related Person may disclose inside information to others, except disclosures made in accordance with applicable laws (i. e. GDPR) and 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;
21. in a case conflict of interest cannot be avoided, the Company will disclose them to the client concerned, before carrying out client's order;

22. internal training for the personnel regarding the management of conflict of interest;
23. avoid/prevent/remove any linkage between the remuneration of relevant persons engaged in one activity and the remuneration/revenues generated by different relevant persons engaged in another activity, where a conflict of interest may arise in a relation to such activities;
24. employees are prohibited from accepting gifts or other inducements from any person with any material interest which is likely to conflict to a material extent with any duty which the Company and/or its employees owes to clients;
25. perform of periodic review of the adequacy of the Company's systems and controls;
26. in circumstances not covered by the above points and given the nature of a conflict of interest situation, the compliance officer and/or the senior management shall decide whether to allow a transaction by notifying the client, or not allow the transaction all together.

8. INDUCEMENTS

The Company does not offer, solicit or accept any inducements, other than the following:

- (a) a fee, commission or non-monetary benefit provided to or by the client or a person on behalf of the client;
- (b) a fee, commission or non-monetary benefit provided to or by third party or person acting on behalf of third party under the following conditions:
 - i. the fee, commission or benefit is disclosed to the client, prior to the provision of the relevant service; and
 - ii. it is designed to enhance the quality of the relevant service to the client and in line with Company's duty to act in the best interests of the client.
- (a) Proper fees for the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which cannot give rise to conflicts with Company's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

9. CLIENT'S CONSENT

By entering into agreement with the Company for the provision of investment services, the client is consenting to an application of this Policy on him. Further, the client consents to and authorises the Company to deal with the client in any manner which the Company considers appropriate, notwithstanding any conflict of interest or the existence of any material interest in a transaction, without prior reference to the client. Additionally, by accepting terms of agreement, client accepts Company's Order Execution Policy and gives his consent for execution his transaction in a way which Company deems fair, honest and appropriate for the client.

10. DISCLOSURE OF INFORMATION

If during the course of a business relationship with a client or group of clients, the organizational or administrative arrangements/measures in place are not sufficient to avoid or manage a conflict of interest relating to that client or group of clients, the Company shall revert and disclose the conflict of interest before undertaking further business with the client or group of clients.

11. AMENDMENTS TO THE POLICY AND ADDITIONAL INFORMATION

The Company reserves the right to review and/or amend its Policy and arrangements whenever it deems appropriate according to the terms of the agreement between the Company and the client.

Request for any further information and/or any questions about conflict of interest must be submitted to compliance@zerichsecurities.com.