

## CONFLICTS OF INTEREST POLICY

### 1. Introduction

L.F. Investment Limited (hereinafter, the “**Company**”) is an Investment Firm regulated by the Cyprus Securities and Exchange Commission (hereinafter, “**CySEC**”) with licence number 271/15.

The Conflicts of Interest Policy (hereinafter, the “**Policy**”) is issued pursuant to, and reflects compliance with the Investment Services and Activities and Regulated Markets Law of 2017 - Law 87(I)/2017 (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. What is a conflict of interest

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 attention 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.

### 3. Criteria of identifying conflicts of interest

The Company takes all reasonable steps to identify conflicts of interest situations between the Company and its employees/relevant persons (for definition see Appendix), the Company and its Clients or between its Clients during the course of the provision of investment and ancillary services.

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.

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 harm the interests of the 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:

- The Company is likely to make a financial gain, or avoid a financial loss, at the expense of the Client.



- 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.
- The Company or that person has a financial or other incentive to favor the interest of one Client over another.
- The Company or that person carries on the same business as the Client.
- The Company or that 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.

#### **4. Identification of possible conflict of interest risks**

The Company's Policy, in general, is to 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 harm to the interests of one or more Clients to specify following procedures and measures adopted in order to manage such conflicts.

When the Company deals with the Client, such Company, an associate or some other person connected to the Company, may have an interest, relationship or arrangement that is material in relation to the Transaction concerned or that it conflicts 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 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 a result of providing investment services:

- (a) The Company may receive or pay inducements to or from third parties due to the referral of new Clients or Clients' trading
- (b) The possible use or dissemination of confidential information derived from the Reception & Transmission, Execution, or Portfolio Management departments or other business units of the Company (e.g. front running).
- (c) 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.
- (d) The interest of relevant persons, shareholders, directors or agents of the Company in Clients, and vice versa.
- (e) 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.
- (f) The remuneration scheme of employees/relevant persons which may be based on the Clients' trading volumes or value of trades placed by retail clients.
- (g) The remuneration of third parties where the interest of a Client conflicts with the interest of the third party
- (h) The persons producing investment research/marketing communication and other relevant persons, whose responsibilities to business interest may conflict with the interests of the persons to whom the investment research/marketing communication is disseminated



For the purposes of identifying the types of conflict of interest that arise within the provision of investment and ancillary services or in a combination thereof, and whose existence may harm the interests of a Client, the Company takes into account, whether the Company or a relevant person, is found 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 a relevant person is likely to make a financial gain, or avoid a financial loss, at the expense of the Client.
- (b) The Company or a 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 different from the Client's interest in such outcome.
- (c) The Company or a relevant person has a financial or other incentive to favour the interest of one Client at the expense of another.
- (d) The Company or a relevant person conducts activities in the same business as the Client.
- (e) The Company or a relevant 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 monetary or non-monetary benefits or services.
- (f) The Company or the relevant person is in possession of information obtained in the ordinary course of their business which would benefit the Company or the relevant person or the Client but such information is not publicly known.

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.

## **5. Managing conflicts of interest**

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 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.

The Compliance Officer, 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 of the Group and to the materiality of the risk of damage to the interests of its Clients.

In general, the procedures and controls that the Company follows to manage the identified conflicts of interest include, in particular, the following, measures (list is not exhaustive):

- (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 remuneration practices are designed in such a way so as not to create a conflict of interest or incentive for staff to favour their own, or the Company's interests to the potential detriment of any Client.
- (c) Segregation of duties that may give rise to conflicts of interest.
- (d) The Board of Directors of the Company sets out the Company's arrangements to ensure that its compensation arrangement will not give rise to conflicts of interest between the Company, its relevant persons, employees and Clients.
- (e) 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 addition, the Company ensures the physical separation of departments.
- (f) 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.
- (g) The employees of the Company refrain from discussing confidential information in public areas such as hallways, restrooms or social gatherings.
- (h) Procedures governing access to electronic and/or in hard copy data and information. The Company ensures that documents containing confidential information are not accessible by unauthorized persons.
- (i) Prohibition of external business interests conflicting with the Company's interests as far as the Company's officers and employees are concerned, unless Board of Directors approval is provided.
- (j) The Employee Replacement Policy of the Company is strictly followed.
- (k) Establishment of in-house Compliance Function to monitor and report on the above to the Company's Board of Directors.
- (l) The Compliance Officer 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.
- (m) The Compliance Officer, at least once a year, verify that all employees (including newcomers) are aware of all of the above.
- (n) All certified officers of the Company become aware of the Description/Guidelines of the Company's Internal Procedures Manual and this Policy.
- (o) Appointment of Internal Auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors.
- (p) Establishment of the four-eyes principle in supervising the Company's activities.
- (q) The persons providing investment services possess all necessary certificates of professional competence required for providing the relevant services from CySEC.
- (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 and Circulars.
- (s) The Company also undertakes ongoing monitoring of business activities to ensure that internal controls are appropriate.



- (t) The Company ensures strict implementation of the Assessment of Appropriateness in order to ensure adequate monitoring of compatibility of the provision of brokerage services to Clients, as applicable.
- (u) The Company ensures strict implementation of the Assessment of Suitability in order to ensure adequate monitoring of compatibility of the provision of Portfolio Management services to Clients, as applicable.
- (v) In case where a transaction may be in jeopardy of not being considered at an arm's length due to the involvement/participation of other Clients, the Company, relevant persons or members of the group as counterparty, agents or service providers, the Senior Management should consider the possibility of obtaining external advice from an expert third party.
- (w) The Company employs rules and organizational arrangements in order to manage conflicts of interest which may arise from the production and/or dissemination of investment research to Clients by the Company.
- (x) The Company establishes rules which are applicable to the relevant persons who are involved in the production and/or dissemination of the investment research and other relevant persons whose responsibilities or business interest may conflict with the interest of the persons to whom the investment research is disseminated.
- (y) The Company prohibits relevant persons who are involved in the production and/or dissemination of the investment research to promise to any issuer of financial instruments that they will publish a favorable research on its behalf.

With regard to inducements and according to the relevant legislation, a Cyprus Investment Firm (CIF) will not be considered as acting 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 CIF 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 honours 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 CIF'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 CIF'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.



## **6. Disclosure of information**

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 service agreement with the Company.

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. The Compliance Officer has the responsibility to make/oversee such communication.

## **7. Records**

The Company maintains and regularly updates a record of the kinds of investment or ancillary service 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.

## **8. Appendix**

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

- A member of the Board of Directors, partner or equivalent, manager or Tied Agent of the Company.
- A member of the Board of Directors, partner or equivalent, or manager of any Tied Agent of Company.
- An employee of the Company or of a Tied Agent 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.
- A natural person who is directly involved in the provision of services to the Company or to its Tied Agent under an outsourcing arrangement for the purpose of the provision by the Company of investment services or/and the performance of investment activities.

## **9. Client consents**

By entering into a Client Agreement with the Company for the provision of Investment and/or Ancillary 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. In the event that the Company is unable to deal with a conflict of interest situation it shall revert to the Client.

