



**Veles** International

## **CONFLICTS OF INTEREST POLICY**

**November 2019 revision**

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## POLICY STATEMENT

**This Conflicts of Interest Policy** ('this Policy') has been developed and is permanently maintained by Veles International Limited ('VIL') to ensure that

- I. VIL's clients are at all times treated honestly, fairly and professionally in accordance with their best interests;
- II. Actual and potential conflicts of interests that may arise in the course of VIL's activities are identified, recorded, prevented where possible, or appropriately managed and disclosed to VIL's clients.

**The ultimate purpose** of this Policy is to ensure investor protection as conflicts of interest have potential to place VIL in a situation where it would not be acting honestly, fairly and professionally in accordance with the best interests of its clients.

This Policy is designed in accordance with

- Law L.87(I)/2017 of the Republic of Cyprus which provides for the provision of investments services, the exercise of investment activities, the operation of regulated markets and other related matters (the 'Law'), Articles 10(1), 17(3)(a), 24, 25(9)(c) and 25(10);
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council ('MiFID II') as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (the 'Regulation'), Section 3 and Articles relevant to VIL (particularly 33-35);
- CySEC Directive DI87-01 On safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (the 'Directive'), Articles 11(2)(3) and 12(3);
- Relevant ESMA Guidelines and Questions & Answers as updated ('ESMA Guidelines');
- the best practice that may be relevant to the business of Veles International Limited ('VIL', 'we', 'us')

All the pieces of legislation and guidance mentioned above will be collectively referred to in this Policy as the 'Legislation'. The terms used in this Policy shall be construed in accordance with the Legislation if not specifically defined in this Policy or in case of any discrepancy.

This Policy is premised on the VIL Board of Directors' (the 'BoD') understanding that an integrated, efficient and transparent financial markets require market integrity and fair treatment of customers. The smooth functioning of securities markets and public confidence in markets are prerequisites for economic growth and wealth. Realized conflicts of interest negatively affect interests of investors, undermine the integrity of financial markets and harm public confidence in financial services.

**'Conflict of interests'**, for the purposes of this Policy, will generally mean a contradiction between the property and other interests of VIL, and/or its directors and employees, and clients of VIL as a result of which the actions (inaction) of VIL, and/or its employees, inflict damages to and/or cause other adverse consequences for the clients and their interests. Given that the servicing clients is the main purpose of VIL's activity, a conflict between the interests of VIL and those of its affiliates, directors and employees, as well as a conflict between the interests of different profit generating departments of VIL, also fall into the scope of this Policy.

**As a general rule**, acting in the situation of a conflict of interest, as defined above, is prohibited unless such conflict of interest is properly managed to ensure that the interests of all and any of VIL's clients will not be adversely affected.

While disclosure of specific conflicts of interest is required by the Legislation and this Policy, it is considered by the BoD as a measure of last resort to be used only where the organizational and administrative arrangements established by this Policy to prevent or manage VIL's conflicts of interest are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client are prevented (effectively managed). Over-reliance on disclosure without adequate consideration as to how conflicts may appropriately be prevented or effectively managed is not permitted. The disclosure of conflicts of interest by VIL will not exempt it from the obligation to maintain and operate the effective organizational and administrative arrangements required by this Policy.

All the VIL's employees must immediately report to the CO any cases of actual or potential conflict of interest. VIL is committed to ensure that employees can speak up with confidence if they have any concerns or need to ask for help. Accordingly, they can address their concerns, including with respect to conflicts of interest, to VIL's independent non-executive director ('NED'), as provided for in the 'Whistleblowing' section of this Policy.

**The Policy measures include:**

- a) identification of circumstances which constitute or may give rise to a conflict of interest;
- b) the preventative and managing measures, such as Corporate Governance arrangements, Non-public information handling, Chinese Walls arrangements, Product analysis, Staff vetting, Personal account dealing procedures, Inducements handling, Remuneration arrangements, Gifts and entertainment handling, etc.;
- c) publication of this Policy on VIL's website and notifying the clients thereof in the client agreement providing for the receipt of their due acknowledgement;
- d) disclosure of generic and specific conflicts of interest to the clients;
- e) the actual conflicts of interest detection measures, such as on-going monitoring of transactions;
- f) internal disciplinary measures and
- g) internal and external reporting, as specified in detail elsewhere in this Policy.

Accordingly, this Policy aims to:

- set VIL's and its employees' duties and responsibilities on identifying, preventing and disclosing conflicts of interests;
- provide guidance on the standards of behavior to which VIL and its employees must adhere to;
- interpret the respective requirements of the Legislation in the context of its practical implementation through a proportionate approach commensurate with the scope, size and specifics of VIL's business;
- lay down particular systems and controls necessary for identifying, preventing, managing and disclosing conflicts of interests;
- to ensure the maintenance of adequate record keeping procedures, including for the purpose of VIL being able to provide to the authorities carrying out an investigation the reliable audit trail.

This Policy should be read and acted upon in conjunction with the relevant sections of VIL's *Inducements Policy*, *Remuneration Policy*, *Personal Account Dealing Policy*, *Anti-market Abuse Policy*, *Anti-bribery and Corruption Policy* and *Product Governance Policy*. Certain provisions of this Policy may be referred to or plainly cited in the said policies, and *vice versa*. In case of any discrepancies between the provisions of the said policies and this Policy employees should seek advice from VIL's Compliance.

The BoD has overall responsibility for defining, overseeing and implementation of this Policy. The BoD is also ultimately responsible for ensuring this Policy complies with VIL's legal, regulatory and ethical obligations, and that all those under VIL's control comply with it. The BoD delegates operational responsibility to the CEO and heads of departments. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.

VIL's Compliance Officer (the 'CO') is responsible for implementing and maintaining this Policy on a daily basis, for monitoring its being up-to-date and effective, for dealing with any queries on its interpretation and providing respective training and guidance to the staff, as well as for reporting to the BoD, as set forth in this Policy. The BoD ensures that the CO has sufficient resources, including competent staff and systems, for the effective discharge of his/her duties. Where in-house knowledge or resource is insufficient for carrying out the particular task, the BoD empowers the CO with the authority to seek external expertise at a cost commensurate with the situation. In case of any doubt as to the understanding or application of this Policy staff should seek advice from the CO.

The BoD devotes sufficient time to matters relating to dealing with conflicts of interest. The BoD understands its duty to seriously and timely consider each instance of actual or potential conflict of interest escalated to them. The BoD considers the CO's reports seriously and provides the necessary feed-back in each case as soon as possible.

VIL's Internal Audit function is responsible for conducting regular (at least annual) evaluation of the adequacy and effectiveness of this Policy, respective systems, control mechanisms and arrangements applied by the Policy. The findings and observations of the internal auditor are submitted, by way of a written report, to the BoD which decides the necessary measures to be taken to ensure the rectification of any deficiencies which have been detected. The internal auditor's report and the minutes of the BoD's decision are submitted to the CySEC within 20 days from the date of the relevant BoD meeting and before the end of April. The CO shall provide all possible support to the Internal Audit in its carrying out such an evaluation.

While adhering to this Policy VIL and its employees at all levels shall comply with the relevant personal data protection legislation (particularly GDPR) and the respective VIL's policies and procedures.

A failure by an employee to comply with this Policy may lead to a disciplinary action, such as censure, material fine and up to and including termination of employment.

## **SCOPE AND APPLICABILITY**

This Policy applies to the following persons (the 'Relevant persons'):

- all individuals working at all levels and grades, including directors, senior managers, officers, employees (whether permanent, fixed-term or temporary), trainees and interns, as well as those of any of VIL's subsidiaries. Specific requirements are imposed to employees working at the particular client servicing and support departments;

- where applicable, appointed representatives and tied agents of VIL, as well as directors, partners or equivalent, managers and employees of any appointed representatives and tied agents;
- natural persons directly involved in the provision of services to VIL or its appointed representative and tied agents, where applicable, under an outsourcing arrangement for the purposes of provision by VIL of investment services and activities.

However, it is understood that currently, VIL does not have any appointed representatives and tied agents.

This Policy applies to all VIL's clients including retail clients, professional clients and eligible counterparties. It equally applies to existing clients, potential clients and former clients where fiduciary duties of VIL as a broker/agent of the client remain in place, e.g. where VIL holds the assets of a former client in any capacity.

The Policy applies to the regulated activities of VIL including all forms of VIL's core and ancillary services as an investment firm permitted by its respective authorization. Particularly, it takes into account that, currently, VIL's only core service is the brokerage service of execution of client orders and transmission of client orders for execution.

The Policy takes into account that VIL neither produce nor disseminate any research or marketing materials including those produced by third persons. Also, VIL does not render any corporate finance services, including underwriting or selling in an offering of securities and advising on mergers and acquisitions. VIL does not provide tax or any other consulting services as well.

This Policy accounts of the fact that VIL does not act and does not intend to act as a Product Manufacturer on-selling products to clients as a distributor only in accordance with its *Product Governance Policy*.

This Policy takes into account that VIL provides its clients, who are predominantly corporations and HNW individuals with the reasonable experience on financial markets, exclusively with the brokerage services on an execution only (non-advisory) basis. Also, as a matter of corporate policy, VIL does not market or solicit its products and executes only those orders that are given by the clients on their own initiative.

This Policy also factors that VIL is not and do not intend to be in the future

- an issuer of financial instruments;
- a secondary offeror of financial instruments participating in a public placement;
- a placement agent acting on behalf of the issuers or secondary offerors;
- an operator of an OTF or MTF;
- a systematic internaliser.

Additionally, no VIL's affiliate is not and do not intend to be in the future

- an issuer of financial instruments;
- an operator of an OTF or MTF;
- a systematic internaliser.

Therefore, this Policy may not include, as inapplicable to VIL, the conflicts of interest arrangements specifically required by the Legislation from the persons mentioned above in the previous paragraphs, particularly transacting specified activities in combination.

This policy will also apply to any circumstances, *of which VIL 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 VIL is a member, particularly its parent company IC Veles Capital LLC.

## IDENTIFICATION OF CONFLICTS OF INTEREST

For the purposes of identifying the types of conflict of interest that may arise in the course of VIL providing investment and ancillary services or a combination thereof and whose existence may damage the interests of a client, VIL takes into account, by way of minimum criteria, whether VIL or a Relevant Person, or a person directly or indirectly linked by control to VIL, is in any of the following situations:

- VIL or that Relevant Person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- VIL or that 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;
- VIL or that Relevant Person has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- VIL or that Relevant Person carries on the same business as the client;
- VIL or that 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.

Accordingly, there should be identified conflicts of interest between:

- VIL and a client;
- VIL's Relevant Person and a client;
- two or more clients of VIL in the course of VIL providing services to these clients;
- a Relevant Person and VIL;
- two or more departments or Relevant Persons of VIL in the course of providing services to VIL's clients, where applicable;
- VIL and its affiliate, including its parent company.

Given the scope of VIL's activities specified in this Policy, below is outlined the non-exhaustive list of circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients:

- VIL may engage in trading activities for client accounts whilst other clients are active in relevant markets at the same time;
- A client transaction is effected in a financial instrument in respect of which VIL's Relevant Person is contemporaneously trading or has traded on its own account or has either a long or short position in the derivative financial instruments;
- A Relevant Person of VIL is a director of, holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in by VIL on behalf of a client;
- A Relevant person of VIL, its relative or close friend is a director, beneficial owner, authorized person, advisor of a client of VIL, or is otherwise interested in economic performance of the client;
- A Relevant Person of VIL is a director, beneficial owner, authorized person or advisor of any other business involvement in which may attract the Relevant Person's significant attention to the detriment of the quality of services provided to VIL's clients;

- VIL or its Relevant Person receives gifts or entertainment (including non-monetary benefits) that may influence his/her behavior in a way that conflicts with the interest of the client of VIL;
- A transaction is effected in financial instrument in respect of which VIL may benefit from a commission, fee, mark-up or mark-down payable otherwise than by a client, and/or VIL may also be remunerated by the counterparty to any such transaction or a respective product provider (manufacturer);
- VIL acts as agent for a client in relation to transactions in which it is also acting as agent for the account of other clients and/or its affiliate;
- A transaction is effected in securities issued by an affiliate or the client or customer of an affiliate;
- VIL deals on behalf of the client with an affiliate or transmits orders of the client to an affiliate for execution;
- VIL deals on behalf of the client in the financial instrument in respect of which VIL's affiliate has a proprietary position, performs the function of an underwriter, placement agent, corporate finance advisor, discretionary manager, market maker, custodian, administrator, trustee, depositary or is otherwise interested in the performance of such financial instrument;
- VIL matches an instruction of one client with an instruction of another client on whose behalf it is also acting;
- VIL has 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;
- VIL's Relevant Person has an interest in maximizing trading volumes and the respective client fees to receive greater personal remuneration;
- VIL's Relevant Person experiences unreasonable influence or pressure from his/her superior in the course of servicing a client to the benefit of another, e.g. 'more important', client and to the detriment of the interests of the first client.

Any business situation which has arisen, or may potentially arise and, in the opinion of a member of VIL's staff, can be exemplified by an item listed above, or otherwise may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients, should be reported by such member of staff to the CO. This includes conflicts of interests involving either that member of staff or any other person. The CO, on the basis of the employee's reports and his/her own periodic and ad-hock monitoring activity, will keep record of all actual and potential conflicts of interest identified in order to apply to them conflict of interest preventing, management and disclosure procedures provided for in this Policy.

This is the responsibility of those VIL's directors who are also directors of the parent IC Veles Capital LLC to notify the CO, and the BoD, on the circumstances, known to them, specified or exemplified in this section of the Policy where involvement of IC Veles Capital LLC may give rise to a conflict of interest.

## **ARRANGEMENTS TO PREVENT AND MANAGE CONFLICTS OF INTEREST**

### **Corporate governance and organizational arrangements**

VIL's BoD is responsible for providing effective supervision of implementation of this Policy. The following governance arrangements will be in place to ensure that conflicts of interests that may arise are prevented or managed to exclude their adversely affecting VIL's clients.

- VIL should have within its corporate governance framework five directors with three of them being non-executive directors ('NEDs');
- The chairpersons of the BoD standing committees, Risk management Committee, Nomination Committee and Remuneration Committee, should be NEDs;
- An NED should be appointed by the BoD responsible for VIL's Whistleblowing arrangements who is a single point of contact for employees to address their concerns in confidence, including on an anonymous basis;
- The chairman of VIL's BoD shall not exercise simultaneously the functions of a Chief Executive Officer (the 'CEO');
- The CEO should not at the same time head any Front Office department;
- The day-to-day business of VIL should be directed by the two executive directors (the 'Four Eyes'). Any decision that may involve conflict of interest on the part of the CEO must be made by the other member of the Four Eyes;
- VIL's Compliance must be independent from VIL's business and report directly to the BoD including on the issues related conflicts of interest;
- There is clear distinction between the different VIL's departments' operations. Different departments must be managed by different senior staff members, if running them under supervision of one person may create conflicts of interest. Therefore, two different Front Office department (where allowed by VIL's authorization) must at all times be managed by different managers in accordance with the principles of Chinese Walls provided for in this Policy.
- Every department will act under its specific operational procedure which is the integral part of VIL's Policies and Procedures Manual. Departments' operational procedures should contain clear description of all functions the department performs, how these functions are carried out by the departments' personnel, how they communicate with the other departments and with clients, what their duties are and how they are segregated, backed-up and supervised. The operational procedures also contain the information flows the departments produce and how the particular information should be dealt with, routinely and in situations of emergency.

### **Prohibition and punishment**

Acting in the situation of a conflict of interest, as defined above, is prohibited for every Relevant Person unless such conflict of interest is properly managed to ensure that the interests of all and any of VIL's clients are not adversely affected. The decision whether it is allowed for any Relevant Person to act in the situation of conflict of interest, which is appropriately managed, shall be made by the CO by making the respective entry into VIL's Register of Conflicts of Interests and notifying the involved Relevant Person, and the CEO, prior to the action in question. In the instances the CO considered important he/she can seek approval from the CEO or/and the executive director performing the function of 'Four Eyes'.

VIL's BoD, by way of this Policy, declares that any VIL's Relevant Person who, deliberately or negligently, acted in the situation of conflict of interest to the detriment of the interests of VIL's clients, realized or unrealized, or breached the obligation to disclose the conflict to the CO, will be subject to severe penalties including monetary fine and up to termination of employment.

### **Chinese Walls and non-public information handling policy**

The policy of handling Chinese Walls and non-public information is outlined below in this section of the Policy (the '*Chinese Walls and Non-public Information Handling Policy*').

As a general rule, all types of non-public information (this includes personal data and any client account or company transactions data) shall be kept confidential, be accessed by the staff on a need-to-know basis only and processed with due care and diligence taking into account the specifics and data protection measures, including personal data protection.

VIL develops and maintains the necessary Chinese Walls arrangements outlined herein and designed to prevent the inappropriate flow of non-public information from one part of VIL to another. The main purpose of Chinese Walls is to isolate such information from all VIL's employees except those who are supposed to have it on a need-to-know basis or who is properly authorised to know that information.

Generally, those departments which are routinely in possession of market sensitive and other non-public information must be separated by Chinese Walls. In particular, the Chinese Walls are established between

- between any client servicing department (e.g. the Brokerage Department) and any other client servicing department (if any), both and separately being referred to as the 'Front office' (cannot be crossed without prior authorization by Compliance);
- the Front Office and the Middle Office (can be crossed on a need-to-know basis);
- the Front Office and the Back Office (can be crossed on a need-to-know basis).

Chinese Walls will generally be maintained by organizational means. Unless crossing is allowed by this Policy, departments guarded by Chinese Walls will be physically separated and occupy different premises (offices). In this case, managers and employees engaged in a particular operational activity should refrain from entering into the premises or separate office area occupied by any other operational activity on the other side of a Chinese Wall unless when authorised to do so by the CO or CEO. Employees of a department separated by the Chinese Wall shall not discuss, including by phone or e-mail, specific business matters with anyone from the other side of the Chinese Wall unit such employees have visited, unless properly authorised by the CO or CEO.

It is essential that members of staff in one Chinese Wall area do not have access to non-public information held either on paper or in computer systems, in the business files, contracts, or correspondence of a department in another Chinese Wall area. Within a Chinese Wall area access to such information shall be solely on a need-to-know-basis and staff from other departments may only receive such information (when crossing Chinese Walls) when specifically authorised by the CO or CEO, inter alia, by way of their job descriptions or contracts.

Members of VIL's BoD, Head of Compliance (the CO), Head of Risk Management and the Internal Auditor have permanent right for crossing the Chinese Walls without any prior approval to be obtained.

Non-public information must not be left lying openly during working hours and must be kept in secured conditions overnight. Also, confidentiality of information must not be damaged by conversations between staff or by allowing unauthorised access to documents in both publicly and non-publicly accessible areas such as reception area, elevators, meeting rooms, dining rooms, rest rooms, etc.

As it may be difficult in practice to assess whether specific information that an employee has become aware of and is willing to, or is required to, disclose to other person may or may not be treated as insider information or other non-public information for the purposes of this Policy, that employee is strictly advised to seek advice from Compliance in each case.

Employees should note that in practice sometimes (e.g. for prevention of market abuse) it is very important not to release even the ‘sense’ that such employee is in possession of non-public information. This may occur, for instance, by asking someone a question related to the information he or she possesses. In this case, the employee is not directly disclosing information but may give the sense to the opponent that such employee is in possession of such information, and in most cases it may become clear of what information such employee could possibly be in possession of. Therefore, such employee’s actions shall be treated as violation of the disclosure and Chinese Walls requirements of this Policy.

If employees have reason to think that they have come into possession of non-public information other than that they normally deal with performing their functions, no matter what is the source of that information, they should refrain from communicating it further and promptly notify their department’s head and the CO thereof.

Individual user accounts requiring passwords should exist for all systems containing non-public information. The respective password policy should require a combination of letters, numbers and keyboard symbols of at least eight characters in length and shall be changed regularly.

VIL’s Compliance will periodically conduct risk-based monitoring of staff’s access to non-public information to ensure it is being accessed and exchanged securely, in accordance with this Policy and for a genuine business reason.

Access to areas where non-public information is accessible, such as server rooms and filing areas, should be appropriately restricted. Where appropriate, there should be used robust intruder deterrents such as keypad or magnetic entry doors, alarm systems, grilles or barred windows and closed circuit television (CCTV). All filing cabinets and special rooms should be locked during the day with the key left with a trusted member of staff. Staff are strongly advised to produce as little paper-based data as possible and to observe the clear-desk policy with penalties to be imposed for the regular breaches.

All non-public information should be disposed of by employees securely, that is by using shredders or confidential waste bins which are emptied by the special staff on a daily basis. Computer hard drives and portable media should be properly wiped (using specialist software) or destroyed as soon as they become obsolete. It is prohibited to stockpile obsolete computers and other portable media for too long and in insecure environment.

### **Staff recruitment and vetting**

For the purposes of this Policy, all the prospective members of VIL’s staff are subject to vetting before the contracts with them are signed. Enhanced vetting, including checks of credit records, criminal records, should be conducted for the staff in roles with access to investment or trading decisions (trading book) and client order book. VIL’s HR should assess regularly whether staff in higher-risk positions are becoming vulnerable to committing fraud (e.g. being in personal financial constraints) or being coerced by criminals.

The background of the staff are studied by way of questionnaires, references from former employers, as well as public sources such as company profiles, trusted quality media and public databases. As a matter of this Policy, it is checked, inter alia, whether the employee:

- is or was a beneficial owner, member of the management body, a decision maker at any level of any client of VIL;

- is or was a member of the management body, a decision maker at any level, expert, adviser, financial manager, auditor or any other person who was likely to have had access to non-public information of any issuer;
- is a member of the management body, a decision maker at any level, expert, adviser, financial manager, auditor or any other person who was likely to have had access to client orders of any financial institution;
- is a member of staff of any VIL's affiliate including the parent IC Veles Capital LLC;
- other data which may give rise to conflicts of interest or vulnerability of the employee to being engaged in acting under conflicts of interest, in market abuse or fraud (e.g. financial constraints).

All staff members are required to sign the contract comprising the prohibition of unsanctioned crossing the established Chinese Walls and improper handling non-public information. The contract shall also include the employee's personal dealing approval requirement, the obligation to report suspicious transactions and the whistleblowing arrangements.

All staff members are required, before the employment contract is signed, to declare in writing, all conflicts of interest which exist or may arise in connection with that employee's prospective position at VIL and his/her personal circumstances (e.g. outside directorship, employment, holding financial instruments or beneficial ownership, etc.), including those associated with their family members. If in the course of the staff member's employment new circumstances arise, including those associated with the employee's new position at VIL or new personal situations that may lead to appearance of a conflict of interest, the member of staff should provide VIL with a new declaration of conflict of interest. The declarations should be provided to VIL's HR which should then rout it to the CO with the comments if any.

### **Personal account dealing policy**

VIL implements the *Personal Account Dealing Policy* briefly outlined herein to prevent and manage conflicts of interest and to ensure that employees do not engage in insider dealing, market manipulation and other abusive behaviour. Basically, the policy includes the following:

- Each employee should be aware, by means of sufficient training received on induction, of the restrictions on personal transactions, and of the measures established by VIL in connection with personal transactions and disclosure thereon set forth in this Policy;
- All members of staff are prohibited from entering into personal account transactions that may appear in conflict with VIL's duties to its clients. Particularly, staff are prohibited from entering into personal account transactions with VIL's clients;
- Staff is required to obtain pre-approval by the CO, and the CEO if the CO so decides, for their personal transactions which can be granted taking into account the data
  - on the employee's position at VIL and his/her access to inside or other sensitive information thereby;
  - obtained in the course of the staff vetting on possible possession by the employee of inside or other sensitive information as a result of his/her activities outside VIL; and
  - on the employee's connections and personal circumstances that may induce him/her to engage in acting under conflict of interests or in market abuse;
- Prompt notifications should be made by the staff to VIL's CO of all personal account transactions executed including those executed outside VIL as a broker;

- The CO should maintain the internal ‘Restricted list’, being the list of financial instruments with respect of which insider information, including that contained in market soundings, has been provided to VIL and personal or proprietary trading in which is therefore prohibited;
- Limitation should be imposed on leveraged transactions and transactions involving options on personal accounts;
- Limitation should be imposed on changing the orders already provided by staff members to VIL’s execution personnel (brokers);
- Those staff members who trade on VIL’s own account should be prohibited from making personal transactions in financial instruments that he/she is covering (maintaining the respective trading book where allowed by VIL’s or its affiliate’s authorization);
- The minimum holding period for financial instruments purchased by the employees (otherwise than through portfolio managers or trustees) shall be set at 30 calendar days subject to justifiable exemption in extreme market conditions / personal situation and only for the ‘sell’ order. However, the CO may pre-approve a shorter holding period in a particular case where, after having analyzed the intended transaction, he/she does not find any indication of possible conflict of interest;
- Proper public disclosure of transactions should be made where required (e.g. where the employee is a relevant manager of an issuer);
- Regular monitoring of all personal account transactions should be conducted by the CO and Internal Audit;
- In the case of outsourcing arrangements VIL must ensure that the firm to which the activity is outsourced maintains a record of personal transactions entered into by any its relevant person and provides that information to VIL promptly on request;
- VIL’s senior management and employees should disclose to the CO and the CEO the information on:
  - opening and closing personal accounts with VIL or any other investment firm for own investment purposes;
  - special participation they may possess in the share capital of any company in which VIL is also a shareholder;
  - financial instruments held;
  - relevant information of affiliated persons;
  - transactions executed by VIL in which the employee may have an interest or a conflict.

Staff are required to familiarize themselves with the full text of the *Personal Account Dealing Policy* which is Appendix 19 to VIL’s Policies and Procedures Manual.

### **Customer due diligence (CDD)**

CDD (or KYC) measures are routinely taken by VIL in accordance with VIL’s *AML/CTF Manual* by way of completing client questionnaires and monitoring reliable sources and facilities of authorised agents. For the purposes of this Policy, it is routinely checked whether any member of VIL’s staff is or was a beneficial owner, director, authorised person or any other interested person of the client or potential client.

In case any of the above-mentioned pieces of client data has been detected this fact should be immediately reported by the Middle office to the CO and factored into the CRM System for the purposes of ongoing monitoring.

## Inducements policy

VIL implements the *Inducements Policy* briefly outlined herein to prevent and manage conflicts of interest and to otherwise ensure investor protection in accordance with the applicable legislation. Basically, the policy includes the following principles.

When transacting regulated activities (providing investment or ancillary services to its clients) VIL and its Relevant Persons are prohibited from receiving or paying (providing) any inducement other than the following:

- (a) a fee, commission or non-monetary benefit paid or provided to or by the client or a 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 two 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; and
  - (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 firm'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 firm's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

If otherwise is not specifically agreed upon with VIL's Compliance and approved by the CEO in advance, VIL does not pass to its clients third person's charges unless these charges constitute proper fees, as highlighted above, directly related to the execution of trades on behalf of the customers.

A fee, commission, or non-monetary benefit shall not be considered acceptable if the provision of relevant services to the client is biased or distorted as a result of the fee, commission or non-monetary benefit.

VIL shall fulfil the requirements set out in the *Inducements Policy* on an ongoing basis as long as they continue to pay or receive the fee, commission or non-monetary benefit.

Before VIL's entering into any new arrangement with a client or third party the terms and principles of which had not been approved earlier as standard or acceptable in accordance with the respective VIL's policies and procedures such an arrangement should be carefully reviewed for compliance with basic rules set forth in the *Inducements Policy*. The review should be conducted in accordance with the general algorithm outlined in Annex 1 to the *Inducements Policy* taking into account applicable guidance specified in the policy. VIL's Brokerage Department (and other Front Office departments if any) are responsible for conducting such a review. In case of any new situations, complications or uncertainties VIL's Compliance should be consulted with.

The clients should be accurately and, where relevant, periodically, informed about all fees, commissions and benefits VIL receives in connection with the investment service provided to the clients and transferred to them.

Staff are required to familiarize themselves with the full text of the *Inducements Policy* which is Appendix 8 to VIL's Policies and Procedures Manual. Particularly, there should be seriously studied the policy guidance on how to apply its basic principle in practical situations.

## Remuneration policy

VIL implements the *Remuneration Policy* briefly outlined herein in accordance with the applicable legislation. Basically, the policy includes the following principles that are in place to prevent and manage conflicts of interest.

The remuneration of the covered staff categories of VIL shall consist of fixed, non-performance-based portion only. VIL shall not have any arrangements for any kinds of variable components of compensation payable to its covered staff categories. No predefined bonus award schemes shall exist, and VIL shall not have any executive incentive schemes in place. Also, VIL shall not provide for any benefits for its employees or management upon their retirement.

The fixed portion of the remuneration of each of the covered staff categories shall be determined by the individual employment contract with that person or in accordance with the service contract concluded with relevant service provider. The amount of such fixed remuneration shall be determined with reference to the: (i) current labor market trends; (ii) organizational responsibilities as set out in an employee's job description as part of the employment contract; (iii) qualifications, skills and professional experience of relevant person, and it shall not be in any way related to performance.

The standing Remuneration Committee of VIL's BoD shall have the responsibility for deciding on the compensation and benefits for Executive and Non-executive Directors. In discharging this duty, the Remuneration Committee shall be guided by the three goals:

- compensation should fairly pay directors for work required in a company of VIL's size and scope;
- compensation should align directors' interests with the long-term interests of shareowners, and
- the structure of the compensation should be simple, transparent and easy for shareowners to understand.

The BoD believes these goals will be served by providing 100% of both employee and non-employee director compensation in fixed, non-performance based portion. The Board of Directors shall ensure that variable remuneration is not paid through vehicles or methods that facilitate the noncompliance with this Policy, including those on the group level.

VIL's BoD shall also directly control the level of remuneration set for control functions (i.e. for Compliance Officer, Anti-Money Laundering Officer, Internal Auditor, and Risk Manager). Control functions' remuneration shall be independent of the performance of the business areas they control and shall be set with reference to:

- objectives linked to their functions and respective responsibilities assigned;
- market levels of remuneration for such services appropriate to VIL's size, internal organization, and the nature, scope and complexity of the function's activities;
- qualifications, skills and experience of responsible person.

VIL's Chief Executive Officer ('the CEO') shall be responsible for establishing the level of remuneration set for management functions employees (i.e. for Heads of Brokerage Department and other Front Office departments if any, Chief Accountant, Head of Treasury, Head of Back-Office and Head of Middle Office). In discharging his/her responsibilities with this regard, the CEO shall be guided by provisions of the *Remuneration Policy*.

Certain information specified in the *Remuneration Policy* shall be disclosed to the public regarding the policy and remuneration practices of VIL for the covered staff categories in accordance with the applicable legislation.

Staff are required to familiarize themselves with the full text of the *Remuneration Policy* which is Appendix 4 to VIL's Policies and Procedures Manual.

### **Gifts, entertainment and hospitality policy**

VIL implements the *Gifts, Entertainment and Hospitality Policy* briefly outlined herein and also specified in VIL's *Anti-bribery and Corruption Policy* as one of the means of prevention of bribery. Basically, the policy includes the following principles that are in place to prevent and manage conflicts of interest.

Giving or receiving gifts or hospitality is often an important part of maintaining and developing business relationships, e.g. airport transfers, business lunches, event accommodation, celebrations of corporate milestones or anniversaries, sporting or cultural events, training sessions, etc. However, all gifts, hospitality and entertainment should be for a genuine purpose, reasonable, given in the ordinary course of business and should comply with VIL's policies.

This Policy does not prohibit normal and appropriate hospitality and entertainment given and received to or from third parties and the giving or receipt of gifts, provided that this does not contain characteristics of bribery, give rise to a conflict of interest and is done in accordance with this Policy.

As a minimum and for the purposes of this Policy, receiving and providing gifts, hospitality and entertainment may be considered normal and appropriate where they:

- are not made with the intention of influencing VIL, its Relevant Person or a third party to obtain certain benefits, retain business or a business advantage, or to reward the provision or retention of business or a business advantage, or in explicit or implicit exchange for favors or benefits;
- comply with local laws;
- comply with VIL's *Anti-bribery and Corruption Policy* and *Inducements Policy*;
- are given in VIL's name, not in the employee's name;
- are appropriate in the circumstances; for example, it is customary for small gifts to be given at Christmas time;
- are reasonable and commensurate with the financial industry standards or norms, are of an appropriate type and value and given at an appropriate time;
- are proportionate and take account of the recipient's role or position as appropriate;
- do not represent political contributions or make an impression thereof;
- are not made to a recipient's spouse, children, other family members, friends or representatives;
- do not include cash or a cash equivalent (such as securities, gift certificates or vouchers);
- are not unreasonably repetitive with regards particular persons (clients, counterparties, etc.);
- are not of special value to a particular recipient, e.g. rare collectible items;
- are not in deficit in the area where a recipient resides;
- are given openly, not secretly;
- if provided for in this Policy, are agreed upon and approved by VIL's Compliance or CEO, and
- are properly reported and kept in VIL's records in accordance with this Policy.

Lavish or unreasonable gifts, hospitality or entertainment, whether these are given or received, are unacceptable as they can create the impression that VIL is trying to obtain or receive favorable business treatment by providing individuals with personal benefits. In addition, gifts and hospitality can themselves be a bribe as pointed out in the *Anti-bribery and Corruption Policy*. Staff should be

careful to avoid even the appearance that the giving or accepting of gifts or hospitality might influence the decisions they take on behalf of VIL.

Without prejudice to the provision of the previous paragraph, the offering of exclusive or relatively large entertainment or gifts to prospective or existing private clients to whom such entertainment or gifts would not be of significant value relative to their personal wealth may be acceptable in certain circumstances and if pre-approved by the CO.

Where VIL hosts a conference, seminar or other business oriented event that serves to educate or inform clients, business partners or other stakeholders, VIL may cover reasonable costs of the travel, hotels and entertainment of the participants. This will be permitted provided that the respective offer is given to all the participants of certain category and not to some selected persons. In all cases the employees in charge of the event should ensure VIL has clear contractual arrangements with the clients and any third parties participating.

All gifts, hospitality or entertainment should be approved by VIL's CO prior to their provision or receipt if their respective value is in excess of 100 (one hundred) Euro.

All gifts, hospitality or entertainment, irrespective of their value, should be reported to VIL's Compliance Officer on a monthly basis and the records thereof should be kept by the CO.

### **Product governance arrangements**

VIL implements the *Product Governance Policy* in accordance with the applicable legislation. Basically, the policy includes the following principles that are in place to prevent and manage conflicts of interest.

Products can be offered or sold to clients only when it is established that this is in their interest and compatible with their needs. No new product or materially amended product, can be offered to a client before it is approved in accordance with the *Product Governance Policy* and the respective Target Market assessment procedure provided therein is completed.

When offering or selling products to clients, including distributors, VIL must at all times comply with the requirements on proper management of conflicts of interest, including remuneration, where relevant. For this purpose VIL's this Policy and the *Inducements Policy* should be strictly adhered to taking into account the specifics of each product and the way it is offered to the clients, especially the relationship between VIL and manufacturers and distributors including all relevant fees and commissions.

No Product can be offered to, and no respective order can be executed for a client, without prior obtaining sufficient information about the product, including that manufactured by a third country institution, and gaining clear understanding of the product, its issuer and nature, risk profile, performance features, associated cost and other relevant characteristics including possible conflict of interests involved.

No product can be offered to, and no respective order can be executed for a client who by its characteristics is manifestly outside the pre-established Actual Target Market for this product (/type of product).

In any case, where on the basis of all information and data that may be at VIL's disposal and gathered through investment or ancillary services or through other sources, including the information obtained from the manufacturers, VIL assesses that certain Product will never be compatible with the needs and characteristics of its existing or prospective clients, including avoidance or proper management of all the associated conflicts of interest, it should refrain from including the product in its product assortment.

No product, which is a PRIIP issued after 03 January 2018, can be offered to, and no respective order can be executed for a Retail Investor who has not been provided, in advance, with the relevant Key Information Document.

VIL's Compliance is responsible for analyzing, before the product is approved, the respective Product Description, Target Market, manufacturers' and other product related documents received from the Brokerage Department, as well as the way the new product will be offered to the clients including all the relevant internal and external communications, information flows, related fees, commissions and remuneration of the Relevant Persons of VIL. As a result of such analysis, the CO, inter alia, identifies all actual and potential conflicts of interest that may arise in the course of selling the product to the clients. The conflicts of interest so identified must be dealt with in accordance with this Policy.

### **Declining to act**

VIL and its Relevant Persons should decline to act for a client in cases where VIL and the Relevant Person believe, upon consultation with the CO, the conflict of interest cannot be avoided or effectively managed and, even properly disclosed to the client as provided for in this Policy, may nevertheless materially damage the client's interests. Particularly, declining to act should be seriously considered where the client is categorized as Retail Client under MiFID II.

## **MONITORING TRANSACTIONS**

To detect actual conflicts of interests VIL performs ongoing, periodic and ad-hock monitoring of transactions.

**Ongoing monitoring** generally pertains to identifying personal transactions of VIL's personnel. Accordingly, to detect transactions (behaviour) which can lead to the reasonable suspicion that they may involve conflicts of interest VIL performs daily monitoring of client transactions (including personal transactions of its Relevant Persons). Such monitoring will be performed by VIL's Middle Office with the use of the respective in-house or third party IT solutions or (before such solutions have been tested and implemented) manually by using filters applied to the staff/client information and transactions.

Transactions to be monitored for the these purposes shall include

- purchase and sale of financial instruments;
- opening and closing positions in derivative contracts;
- placing, modifying, canceling and rejecting client or own account orders.

The list of detected personal account transactions and transactions made by the clients who are employees of VIL's affiliates or are otherwise associated with them are then submitted to the CO who reviews each of them for compliance with this Policy and the *Personal Account Dealing Policy*.

**Periodic monitoring** is conducted by the CO on a half-yearly basis. For these purposes the CO obtains from the relevant departments and studies for possible existence of conflicts of interests, inter alia, the following information and documents:

- agreements with brokers, product providers and contractors including the supplements setting fees, commissions and disbursements;
- contracts with providers and recipients of entertainment and hospitality;
- payments to product providers, brokers, providers and recipients of entertainment and hospitality;

- information (reports) on the Relevant Persons business trips, their participation in conferences, other events organized by VIL's clients, business partners, counterparties, brokers, product providers and contractors;
- information (reports) on the conferences and other events organized by VIL for its clients, business partners, counterparties, brokers, product providers and contractors with the lists of participants including names of companies and their individual representatives;
- agreements executed with the new clients, particularly annexes setting VIL's fees and commissions and the supplements individually modifying standard terms and conditions;
- other information and documents the CO may consider relevant for the purposes of monitoring conflicts of interests or other reasonable purposes within the CO's scope of responsibilities.

**Ad-hock monitoring** and the respective enquiry is conducted by the CO every time he/she receives from a member of VIL's staff a report on the possible existence of a conflict of interest.

The results of each monitoring are reported by the CO to the CEO and the BoD

- where action is needed from the CEO or the BoD or material risks have been identified;
- as part of the Compliance Annual Report

## **DISCLOSURE TO CLIENTS**

Where the organizational and administrative arrangements established by this Policy, or the respective individually adopted measures, to prevent or manage VIL's conflicts of interest are considered by VIL's Compliance not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client are prevented (effectively managed) the particular conflict of interest should be disclosed to the clients whose interests may be effected by such conflict.

Over-reliance on disclosure without adequate consideration as to how conflicts may appropriately be prevented or effectively managed is not permitted. The disclosure of conflicts of interest by VIL will not exempt it from the obligation to maintain and operate the effective organizational and administrative arrangements required by this Policy.

The disclosure of the conflict of interests to the clients should be made prior to the offering of the product or provision of the respective service to the client. The disclosure should be made on the durable media, including VIL's website (in case of a generic conflict) with the direct individual notification where appropriate, in plain and concise language and contain

- the nature of the conflict;
- the parties to the conflict;
- how and under what circumstances the interests of the client may be adversely affected;
- the measures taken by VIL to manage the disclosed conflict.

Notwithstanding the provisions on disclosure stipulated above, VIL must disclose to the clients the information related to the fees, commissions and other benefits as provided for in the *Inducements Policy*. Essentially, VIL shall disclose to the client information on the payment or benefit (inducement) concerned prior to the provision of the relevant investment or ancillary service. Minor non-monetary benefits may be described in a generic way. Other non-monetary benefits received or paid by VIL in connection with the investment service (product) provided to a client shall be disclosed separately.

Where VIL was unable to ascertain on an ex-ante basis (in advance) the amount of any payment or benefit to be received or paid, and instead disclosed to the client the method of calculating that

amount, VIL shall also provide the client with information of the exact amount of the payment or benefit received or paid on an ex-post basis (afterwards).

Where, in accordance with the *Inducements Policy*, the information on the inducement may be disclosed to the client in summary (generic) form, including in the client agreement or a special notice, the summary disclosure must provide adequate information to enable the client to relate the disclosure to the particular investment or ancillary service that is provided to them, or, to the products to which it relates, to make an informed decision whether to proceed with the investment or ancillary service and, whether to ask for the full information.

A generic disclosure which explains merely that VIL will or may receive or pay or provide fees, commissions or non-monetary benefits from / to third parties is not sufficient to enable a client to make an informed decision and, therefore, is not allowed for the purposes of this Policy.

For the detailed information on the particularities of disclosure of inducements staff should refer to the *Inducements Policy*.

## **WHISTLEBLOWING**

VIL's whistleblowing arrangement aims to receive and encourage, in full confidentiality, all reasonable requests for advice and guidance on business conduct that appears to raise concerns (including as they may be related to conflicts of interest), that are raised by its staff members.

If relevant persons suspect or observe anything that they think might be in contravention of principles of this Policy, they should report it to VIL's Compliance (the CO). Alternatively, they can address their concerns, including on the anonymous and confidential basis, to VIL's designated NED (Mr. Stelios Procopiou at [stelios@exeoconsultants.com](mailto:stelios@exeoconsultants.com)).

All reporting persons' (whistle-blowers') reports should be diligently acknowledged, recorded and screened. Bona fide reports should be investigated by the CO, and the designated NED where appropriate, and reported to the BoD. If deemed appropriate reporting persons will be provided with the feed-back information.

VIL will maintain, to the fullest extent possible and at all times, the confidentiality of the data revealed through whistleblowing, as well as the identity of the whistle-blower, subject to overriding legal requirements and should protect such data with the most appropriate means.

Whistle-blowers who have submitted bona fide reports are protected by the law. VIL does not tolerate retaliation in any form against anyone for raising concerns or reporting what they genuinely believe to be improper, unethical or inappropriate behaviour.

Confidentiality will be maintained throughout the process, with information transferred purely on a need-to-know basis, and employees will be provided with the information on the reporting hotline.

Notwithstanding the internal whistleblowing arrangements outlined above in this section, every employee has the right under the law to report their concerns directly to the CySEC, *including anonymously*, via the special hot lines and e-mail addresses provided by the CySEC. Additionally, a whistleblowing person may request a physical meeting with the dedicated staff members of the CySEC.

It is clearly stated by the BoD that, under the law, employees making information available to the authorities in accordance with the legislation are not considered to be infringing any restriction on disclosure of information imposed by employment, client servicing or other contract or by any legislative, regulatory or administrative provision, and are not to be involved in liability of any kind related to such disclosure.

Where the identity of whistle-blowers is not known to the public, the government of Cyprus has the obligation to ensure that their identity is protected at least in the same manner as for persons that are under investigation by the competent authorities.

## **STAFF TRAINING AND AWARENESS**

The CO is responsible for ensuring that VIL's systems and controls include appropriate training for employees in relation to conflicts of interest.

The CO may carry out training personally or request specialized organizations to conduct certain trainings and workshops. Education and training of staff will occur upon induction of new personnel and on a regular basis (at least annually). In course of training written guidance will also be provided to staff.

Staff will be made aware of their personal responsibilities in respect of conflicts of interest and those of VIL, as well as of penalties associated with breaches of this Policy. Staff in higher-risk roles, e.g. the Front Office employees, are subject to more thorough training. Training will be tailored to particular roles, specific types of conflicts of interest Relevant Persons are most likely to encounter and have a strong practical dimension e.g. case studies and testing.

Sufficient training will be given to all relevant employees to enable them to identify conflicts of interest and whether their behavior (or behavior of others) may be recognised as breaching this Policy and how to properly report their concerns.

## **RECORD KEEPING**

VIL shall maintain for a period of five years the information documenting

- all conflicts of interest identified (Register of the Conflicts of Interest maintained by the CO) which shall include
  - date of identification
  - reporting (identifying) person
  - the nature of the conflict
  - products (services) concerned
  - Relevant Persons involved
  - clients effected
  - the way and degree the clients' interests can be adversely effected
  - measures taken to deal with the conflict
- the analysis carried out by the CO with regard to products, services, orders and transactions that could involve conflicts of interest which have been examined and the conclusions made as a result of such analysis. That information shall be provided to the CySEC upon request.