



## SUMMARY OF CONFLICTS OF INTEREST POLICY

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## SUMMARY OF CONFLICTS OF INTEREST POLICY

### 1. INTRODUCTION

- 1.1. '**Leverate Financial Services Limited**', is a Cyprus Investment Firm incorporated under the laws of the Republic of Cyprus, with Company Registration Number HE290 182, having its registered office at 88, Agias Fylaxeos, Zavos City Center, 4th Fl, CY-3025, Limassol, Cyprus (hereinafter the "**Company**").
- 1.2. The Company is regulated as a Cyprus Investment Firm ('CIF') by the Cyprus Securities and Exchange Commission ('CySEC') under license number 160/11, and is operating in accordance with the Markets in Financial Instrument Directive 2014/65/EU and its implementing measures ("**MIFIDII**") and Regulation 2014/600/EU ("**MIFIR**"), as transposed into Cyprus law by Cyprus Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets and its implementing measures (the "**Investment Services Law**").
- 1.3. In line with MiFID II, MiFIR and the Investment Services Law, it is essential that the Company is able to identify actual or potential conflicts of interest and manage them fairly and appropriately, including preventing a conflict of interest from adversely affecting the interests of a Client or potential Client.

### 2. SCOPE & APPLICATION

- 2.1. As a global financial services provider, conflicts of interest are inherent in the Company's business and can arise in many contexts; the purpose of this Summary of Conflicts of Interest Policy (this "**Policy**") is to provide an overview of the manner in which the Company will:
  - a) identify situations where actual (or potential) conflicts of interest may arise and can potentially result in a threat against the best interests of the Client;
  - b) adopt adequate procedures, mechanisms and systems to identify and manage such conflicts of interest;
  - c) develop procedures and systems to proactively prevent potential damage from any case of conflicts of interest; and
  - d) monitor on an on-going basis the effectiveness of the controls and measures established around the identification, prevention disclosure of conflicts of interest.
- 2.2. The Company's conflicts of interest policies and procedures pertain to the following persons ("**relevant persons**"):
  - a) directors;
  - b) managers who, directly or indirectly, may adversely affect the interest of the clients or potential clients;
  - c) employees who, directly or indirectly, may adversely affect the interest of the clients or potential clients; and
  - d) any persons directly or indirectly linked to the Company by means of control.

### **3. IDENTIFICATION OF CONFLICTS OF INTEREST**

- 3.1. For the purposes of identifying the types of conflict of interest that arise in the course of providing investment and ancillary services or, a combination thereof, and whose existence may damage the interests of a client, the Company takes into account, by way of minimum criteria, whether the Company or a relevant person is in any of the following situations, whether as a result of providing investment or ancillary services or investment activities or otherwise:
- a) the Company or 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 distinct from the client's interest in that outcome;
  - c) the Company or a relevant person has a financial or other incentive to favor the interest of another client or group of clients over the interests of the client;
  - d) the Company or a relevant person carries out the same business as the client; or
  - 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.
- 3.2. A non-exhaustive list of common types of conflicts of interest is set out below.
- 3.3. For the purposes of the foregoing, conflicts of interest include situations which may not be actual conflicts of interest, but which may give rise to a 'perception' of a conflict of interest.

### **4. APPROACH TO CONFLICTS MANAGEMENT**

#### **A. In general**

- 4.1. The Company seeks to ensure that a conflict of interest does not adversely affect the interests of Clients, the Company, its shareholders or other stakeholders through the identification, prevention or management of the conflict of interest.
- 4.2. The Company may utilize a number of means (which may be used individually or in combination) to manage a conflict of interest including:
- a) organizational arrangements, systems, controls, policies and procedures designed to prevent the conflict of interest arising or to mitigate the associated risk of damage;
  - b) disclosure designed to inform the affected parties of the conflict of interest and its likely impact on them; or
  - c) avoiding the service, activity or matter giving rise to the conflict of interest where the conflict of interest cannot be prevented or managed effectively using other means.
- 4.3. In general, the procedures and controls that the Company follows to manage the or prevent conflicts of interest that are necessary for the Company to ensure the requisite degree of independence, include the following:
- a) effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;
  - b) the separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Company;

- c) the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation n to those activities;
  - d) measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities; and
  - e) measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest. Such measures include, but are not limited to, the following:
    - (i) a 'need to know' policy governing the dissemination of confidential or inside information within the Group;
    - (ii) Virtual Information Barriers restricting the flow of confidential and inside information within the company, and physical separation of departments;
    - (iii) procedures governing access to electronic data;
    - (iv) segregation of duties that may give rise to conflicts of interest if carried on by the same individual;
    - (v) personal account dealing requirements applicable to relevant persons in relation to their own investments;
    - (vi) a gifts and inducements log registering the solicitation, offer or receipt of certain benefits;
    - (vii) the prohibition of external business interests conflicting with the Company's interests as far as the Company's officers and employees are concerned, unless prior Board approval is obtained;
    - (viii) organizational and administrative arrangements to limit the conflict of interest arising from the giving and receiving of inducements.
- 4.4. The Company also undertakes on-going monitoring of business activities to ensure that internal controls to prevent or manage conflicts of interest are appropriate;
- 4.5. The Compliance Department is responsible for identifying and managing potential conflicts of interests and reporting directly to the Board of Directors and Senior Management in relation to the latter. The Compliance Department is responsible for updating the Company's relevant internal procedures and ensures compliance with such procedures.
- 4.6. In addition, the Company employs a number of systems, controls, policies and procedures to manage conflicts of interest. A summary of the key Company policy requirements and controls are set out below. Employees are required to know the detail of these underlying policies and to comply fully with the requirements set out in these policies.

#### ***B. Identification and Recording of potential Conflicts of Interest***

- 4.7. The Company has in place a robust set of policies and procedures to identify and record potential conflicts of interest that could entail a material risk of damage to the interests of one or more of its Clients and that have arisen or, may arise, in relation to the regulated services or activities it undertakes in accordance with its CySEC License. In addition, the Company has in place policies and procedures to identify and record structural or business practice conflicts of interest that can arise due to the multi-services nature of the Company's services and operations.
- 4.8. The information so maintained by the Company' facilitates the effective identification, prevention, escalation and management of (potential) conflicts of interest and provides a basis for the training of Employees.

**C. Execution/ Client Order Handling**

4.9. The Company requires Employees to act honestly, fairly and professionally in accordance with the best interests of its Clients, including when executing, receiving or transmitting orders on behalf of a Client. Clients' interests are protected by the Company's dealing policies, as described in the Company's best Execution Policy, which prohibit improper conduct by the Company's traders, such as front-running Client orders, and stipulate that Client orders must take priority over principal trading.

**D. Research Independence**

4.10. A conflict of interest may arise where the content of Research reports or other public statements by a Research analyst do not represent the analyst's genuinely held beliefs because they have been influenced by the interests of a particular business division of the Company.

4.11. In order to manage conflicts of interest, the Company has in place policies and procedures to promote and safeguard the integrity of Research. No one may place inappropriate pressure on a Research analyst with respect to the content or timing of a Research report or a public statement made by that analyst. The supervisory structure, reporting lines and compensation criteria for Research and Research analysts are designed to maintain the independence of Research from other areas of the Company.

**E. Inducements**

4.12. MiFID II and its implementing legislation contain rules prohibiting the Company from paying or receiving any fee, commission, non-monetary benefit or Performance-based Commissions in relation to the provision of a MiFID service to a Client (an "**Inducement**"), unless such payment or receipt falls within an exception.

4.13. An Inducement could create a conflict of interest where the payment or receipt of the Inducement would distract the Company from its obligations to serve the best interests of its Client.

4.14. In order to monitor closely and effectively potential conflict of interest scenarios concerning Inducements, the Company has established policies, procedures and controls around Inducements that all relevant persons are required to follow and comply.

**F. Remuneration Practices**

4.15. The Company recognizes that remuneration is a factor that may influence the conduct of Employees. The Company has in place remuneration policies and procedures, which set out appropriate governance to prevent remuneration structures, which may incentivize an Employee to act contrary to their responsibilities, regulatory requirements or the Company's Code of Business Conduct and Ethics.

4.16. In line with regulatory requirements, the Company has produced a Remuneration Policy to ensure that the links between compensation practices and the Company's business and risk strategies are clear, and also clearly understood by all Employees.

**G. Outside Business Interests**

4.17. A conflict of interest may arise in respect of Outside Business Interests. The Company has in place policies and procedures to ensure that conflicts of interest arising from such activities are identified, managed or avoided. This includes the imposition of disclosure and approval requirements and the prohibition of those activities that give rise to conflicts of interest, which must be complied with by all in-scope Employees.

## **H. Employee Trading**

- 4.18. A conflict of interest may arise by virtue of the personal trading activities of its Employees (“**Employee Trading**”). Under the Company’s policy for ‘Employee Trading’, all Employees must disclose and obtain approval for personal trading accounts and obtain pre-clearance for specific trading activity. This disclosure and pre-approval process is based on a categorization of Employees in consideration of their roles and responsibilities. The approval (or rejection) of a trading request is based on consideration of the Company’s group-wide activities and engagement with its Clients in order to identify and thereby manage or avoid any conflicts of interest.
- 4.19. The Company monitors compliance with these requirements and breaches are subject to the Company’s disciplinary programs and processes.

## **I. Gifts and Entertainment**

- 4.20. A conflict of interest may arise where an Employee receives or offers a gift or entertainment that constitutes an inappropriate incentive for an Employee, third-party Representative, a Client or Vendor to act in a certain way. The Company does not permit the offering or acceptance of gifts or entertainment by an Employee unless it is reasonable, proportionate and for a legitimate business purpose.
- 4.21. Where applicable, in-scope Employees must obtain pre-approval for gifts and entertainment and approval will not be granted by the Company where it is seen to give rise to an actual or potential conflict of interest is inappropriate in nature or otherwise breaches any of the Company’s policies, including but not limited to Gifts, Entertainment and Hospitality.

## **5. DISCLOSURE AND CLIENT CONSENT**

- 5.1. While the Company has procedures in place to prevent or manage conflicts of interest, in certain circumstances those arrangements may not be sufficient to protect a Client’s interest from material damage and the Client must be made aware, or alternatively, the Company may decide in the particular circumstances, that the Client should be made aware of a potential for a conflict of interest and the arrangements that will be put place to manage the conflict. Where permissible by applicable rules and regulations and where appropriate, ‘disclosure’ to an affected Client may be made to inform the Client of the arrangements or to seek express and specific Client consent to act.
- 5.2. Where it applies, MiFID II does not permit disclosure of a conflict of interest to a Client as the sole means of managing the conflict of interest except as a measure of last resort. Such disclosure is required to be made prior to the provision of the relevant investment service and/or ancillary service in a durable medium and must be in sufficient detail so as to enable the Client to make an informed decision as to whether to accept the provision of the relevant service.
- 5.3. The disclosure must state that it is being provided to the Client because the Company’s organizational and administrative arrangements established to prevent or manage that conflict of interest are not sufficient to ensure, with reasonable confidence, that the risk of damage to the interests of the Client will be prevented. The disclosure should take into consideration the nature of the Client and include a specific description of the conflict of interest that has arisen in connection with the proposed service.
- 5.4. The disclosure must include an explanation as to the general nature and source of the conflict of interest, the risks to the Client that arise as a result of the conflict of interest and a description of the steps undertaken to mitigate these risks.

## **6. ESCALATION**

- 6.1. The Company operates escalation and resolution procedures for conflicts of interest (Client related or otherwise) that arise within or between functions and business divisions of the Company.
- 6.2. Employees must follow the internal escalation process prescribed in the Company's policies and procedures in connection with conflicts of interest. In the absence of a specific escalation process, Employees must inform their supervisor and/or Compliance of the existence and nature of the conflict of interest. Supervisors at the Company are responsible for assessing the actual or potential conflict of interest and determining, after consulting Compliance, the best course of action, including where appropriate, notification to Senior Management, or, as the case may be, the Board.

## **7. CONTROLS TESTING AND RISK ASSESSMENT**

- 7.1. The Company tests its controls relating to the management of conflicts of interest on a regular basis to identify and remediate gaps identified in those controls. This testing program is supplemented by regular risk assessments conducted by various functions within the Company, including Compliance. The policies, procedures and controls relating to conflicts of interest are assessed, enabling new conflicts of interest or gaps in the controls for existing conflicts of interest to be identified and escalated for remediation.

## **8. TRAINING**

- 8.1. The Company provides and expects relevant Employees to attend or take regular training on conflicts management and conflicts of interest related topics. This training is critical in ensuring that Employees are able to identify and escalate conflicts of interest and are aware of the processes by which they are identified, escalated and resolved. Appropriate resources are dedicated to the training and building of awareness of conflicts of interest to develop the knowledge and understanding of Employees.

## **9. BREACH OF POLICIES AND PROCEDURES**

- 9.1. Failure to comply with the Company's conflicts of interest policies and procedures will result in disciplinary action up to, and including, dismissal. In determining the level of disciplinary action in any particular case, the seriousness and/or frequency of the offence will be considered. In addition, Employees may run the risk of fines, penalties, judgments, damages, and settlements related to regulatory or legal actions against the Company and them as individuals.

## **10. MISCELLANEOUS**

- 10.1. This Summary of Conflicts of Interest Policy does not seek to impose any obligations on the Company, which the Company would not otherwise have, but for the Investment Services Law, MiFID II and/or MiFIR, as the same may be in force, amended and/or updated from time to time.
- 10.2. This Summary of Conflicts of Interest Policy is not intended to, and does not create third party rights or duties that would not already exist if the Conflicts of Interest Policy had not been made available.
- 10.3. If you would like further details regarding the prevention, handling and management of conflicts of interest at the Company, you should feel free to contact our Compliance Officer, as follows: [Compliance@leverate.com](mailto:Compliance@leverate.com).