

# CONFLICT OF INTEREST POLICY – SUMMARY

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## 1. Introduction

The Bank's Conflicts of Interest Policy has been established in accordance with the Central Bank of Cyprus Directive on Governance and Management Arrangements and the Investment Services Regulatory Framework, which impose a general obligation on the Bank and its group companies to address the relevant provisions relating to the identification, management and of conflicts of interest.

## 2. Scope & Applicability

This document provides clients with a summary of the underlying Conflicts of Interest Policy (the "Policy") as well as the controls / arrangements established within the Bank for the identification, monitoring and prevention of Conflicts, aiming to enhance Clients' protection.

The Conflicts of Interest Policy applies to the Bank itself, the Board of Directors (including the executive and non-executive Board Members), Senior Management, employees and any persons directly or indirectly linked to the Bank's group companies. Additionally, it refers to all interactions with all Clients or between one Client and another, in relation to the Bank and its group companies.

## 3. Policy Statement

The Bank, being a regulated entity, is required to establish, implement and maintain an effective Conflicts of Interest Policy set out in writing which is appropriate to the size, organisation, nature, scale and complexity of its current business model in order to identify, prevent, manage (in the case that prevention is not possible) and monitor conflicts of interest as well as report such situations/incidents, including cases on non-compliance.

Taking into consideration the range/extent of services provided by the Bank, being a credit institution, it is inevitable that conflicts of interest might arise during its normal course of banking business and operations as well as in cases where the Bank is providing investment and / or ancillary services to its Clients. As long as all applicable procedures and controls are in place and adhered to, an actual, potential or perceived conflict of interest shall not undermine the integrity of a Relevant Person.

## 4. Types of Conflicts of Interest

A conflict of interest is a situation that may arise during the business activity of the Bank in the course of providing services to a Client, including Investment and / or Ancillary Services, which may benefit the Bank or employees of the Bank or other Client on behalf of which the Bank acts and adversely influence the interests of the Client to whom the service is provided.

The types of conflicts of interest can be broadly grouped into the following categories:

- Organisational and / or employee-related conflicts of interest.
- Client-related conflicts of interest.
- Third party-related conflicts of interest.

Examples of Conflicts are listed but not limited below:

- An employee is engaging in personal transactions in Financial Instruments same or similar as the Bank's Clients;
- An employee is recommending or selling products issued by the Bank as part of its investment services or ancillary services;
- Where staff remuneration encourages the assumption of any unnecessary risks which would result in the gaining of benefits, such as where the remuneration of the employees is linked to the profit derived from the service provided;
- Where employees of the Bank simultaneously perform executive and controlling functions.
- Where as a result of excessive or lavish gifts or entertainment provided to an employee, such employee's judgement is improperly influenced, or the employee engages in improper conduct.

The Bank is not required to disclose to a client any material interest in a particular transaction, or a particular circumstance in which conflicts of interest or duty may exist, where such Conflict has been sufficiently managed by the Bank so as to ensure, with reasonable confidence, that any risk of damage to the Client's interest will be prevented.

## 5. Prevention or Management of Conflicts of Interest

The Bank takes all necessary administrative and organisational measures and establishes the necessary procedures / arrangements in order to prevent the occurrence of conflicts of interest or resolve any actual conflicts of interest between the Bank's various stakeholders.

For this purpose, the Bank has established, amongst others, the following measures / arrangements:

### **Independence, Segregation of duties and Effective Supervision**

The Bank undertakes measures for the physical separation, supervision and operational segregation of certain departments / units that provide services to Clients whose interests may come into conflict with the interests of other Clients, or with the interests of the Bank. Where appropriate, the Bank undertakes measures for the supervision and operational segregation of employees, where such involvement may lead to conflicts of interest.

### **Four-eye Principle**

The four-eye principle applies in all cases, according to which at least two members of staff should be involved in the process of submission/assessment and approval of all transactions and third party collaborations.

### **Chinese Walls/Information Barriers**

The Bank establishes and implements "Chinese Walls" related measures / Information Barriers in order to prevent the transfer of inside information between departments / units and / or other group companies.

### **Remuneration**

The Bank recognises that the structure remuneration may influence employees' conduct. In this respect, the Bank has in place Remuneration Policy 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 Bank's Code of Business Conduct and Ethics.

Overall, the Bank takes necessary measures so that remuneration, appraisal and assigned duties do not encourage behavior of staff that may lead to situation of conflicts of interest.

### **Gifts and Personal Benefits**

The acceptance and offering of gifts and other personal advantages is governed by the Bank's relevant policies and procedures. Overall, employees of the Bank must refrain from offering or accepting gifts and/or hospitality, irrespective of their value, which may influence or appear to influence their decision-making and the handling of the business, and lead to an actual, potential or perceived conflict of interest.

### **Personal Transactions**

The Bank has established policies and procedures in order to monitor staff transactions, where all members of staff, irrespective of the position they hold or the function they perform, shall be aware of the restrictions imposed by the applicable laws in respect of personal transactions / placing of orders to trades ("transactions") in Financial Instruments, the handling of conflicts of interest and inside information.

### **Measures for the prevention of improper influence**

The Bank is committed to prevent or limit the exercise of improper influence in the way which a Relevant Person provides investment and/or ancillary services or carries out banking related activities.

Inappropriate influence should not be exercised by any person over the way in which an employee / Relevant Person engaged in the provision of investment or ancillary services or banking related activities carries out his/her duties.

### **Corruption and bribes**

A bribe could create a conflict of interest where the payment or receipt of the bribe would distract the Bank from its obligations to act in the best interests of its Client. The Bank maintains policies and procedures for the combating of corruption which would, inter-alia, lead to conflicts of interest.

### **Refusal of provision of service**

Where the Bank is already providing services to a Client, and a conflict of interest cannot be effectively dealt with, the Bank may refuse to

provide the said service.

**Disclosure of conflicts of interest**

In cases where the measures taken to prevent or manage conflicts of interest are not sufficient and conflicts of interest will occur, the Bank should clearly inform Clients, prior to undertaking any action on behalf of the Client, regarding the nature and source of such conflicts of interest.

Disclosure of conflicts to Clients is used only as a means of last resort, which shall only be used where the organizational and administrative arrangements established to prevent or manage its conflicts of interest are not sufficient to ensure, with reasonable confidence, that the risk of damage to the Clients' interests will be eliminated.

**Additional Information**

Upon Client's request, the Bank will provide further information on its Conflicts of Interest Policy.