

# **Conflicts of Interest And Personal Transactions Policy**

## **Of Dragon Capital (Cyprus) Limited**

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## 1. Purpose

According to the obtained license on January 27<sup>th</sup>, 2010 and updated on September 12<sup>th</sup>, 2018 Dragon Capital (Cyprus) Limited (hereinafter – Company) is entitled to operate as a Cyprus Investment Firm and to provide the following investment services: reception and transmission of orders in relation to one or more financial instruments; execution of orders on behalf of clients; dealing on own account; investment advice; underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; placing of financial instruments without a firm commitment basis and the following ancillary services: safekeeping and administration of financial instruments, including custodianship and related services; granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction; advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings; foreign exchange services where these are connected to the provision of investment services; investment research and financial analysis or other forms; services related to underwriting.

Company shall maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest as defined in the legislation in force from adversely affecting the interests of its clients.

According to the legislation in force Company is required to establish, implement and maintain an effective conflicts of interest policy set out in writing and appropriate to the size and organisation of the Company and the nature, scale and complexity of its business.

In this context Company has elaborated Conflict of interests and personal transactions Policy (hereinafter – Policy) which aims to:

- identify, with reference to the specific investment services and activities and ancillary services carried out by or on behalf of the Company, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more clients;
- specify procedures to be followed and measures to be adopted in order to manage and mitigate such conflicts;
- disclose conflicts of interest;
- record conflicts of interest.

## 2. Legal framework

1. Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;
2. Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012;
3. Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
4. Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC;
5. Market Abuse Law L.102(I)/2016
6. Regulation (EU) 596/2014 Market Abuse Regulation
7. Delegated regulation (EU) (EU) 2016/957 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the appropriate arrangements, systems and procedures as well as notification templates to be used for preventing, detecting and reporting abusive practices or suspicious orders or transactions.

## 3. Definitions

**Board of Directors** - body of an investment firm, which are appointed in accordance with national law, which are empowered to set the entity's strategy, objectives and overall direction, and which oversee and monitor management decision-making and include persons who effectively direct the business of the entity.

**Client** means any natural or legal person to whom an investment firm provides investment or ancillary services.

**Conflicts of interest** is a situation in which Company, including their managers, employees and tied agents, or any person directly or indirectly linked to it by control, becomes unreliable because of the clash between personal interests and professional interests.

**Durable medium** means any instrument which:

(a) enables a client to store information addressed personally to that client in a way accessible for future reference and for a period of time adequate for the purposes of the information; and

(b) allows the unchanged reproduction of the information stored.

**Inducements** – inducements are defined as fees, commission or non-monetary benefits (goods or services) which are received by the client that are not standard for the provision of the service.

**Inside information** shall comprise the following types of information:

(a) information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments;

(b) in relation to commodity derivatives, information of a precise nature, which has not been made public, relating, directly or indirectly to one or more such derivatives or relating directly to the related spot commodity contract, and which, if it were made public, would be likely to have a significant effect on the prices of such derivatives or related spot commodity contracts, and where this is information which is reasonably expected to be disclosed or is required to be disclosed in accordance with legal or regulatory provisions at the Union or national level, market rules, contract, practice or custom, on the relevant commodity derivatives markets or spot markets;

(c) in relation to emission allowances or auctioned products based thereon, information of a precise nature, which has not been made public, relating, directly or indirectly, to one or more such instruments, and which, if it were made public, would be likely to have a significant effect on the prices of such instruments or on the prices of related derivative financial instruments;

(d) for persons charged with the execution of orders concerning financial instruments, it also means information conveyed by a client and relating to the client's pending orders in financial instruments, which is of a precise nature, relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments, the price of related spot commodity contracts, or on the price of related derivative financial instruments.

**Personal transaction** – as it defines in the item 6 of the present Policy.

**Relevant Persons** means any of the following:

(a) a director, partner or equivalent, manager or tied agent of the firm;

(b) a director, partner or equivalent, or manager of any tied agent of the firm;

(c) an employee of the firm or of a tied agent of the firm, as well as any other natural person whose services are placed at the disposal and under the control of the firm or a tied agent of the firm and who is involved in the provision by the firm of investment services and activities;

(d) a natural person who is directly involved in the provision of services to the investment firm or to its tied agent under an outsourcing arrangement for the purpose of the provision by the firm of investment services and activities.

**Investment research** shall be research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several financial instruments or the issuers of financial instruments, including any opinion as to the present or future value or price of

such instruments, intended for distribution channels or for the public, and in relation to which the following conditions are met:

- (a) the research or information is labelled or described as investment research or in similar terms, or is otherwise presented as an objective or independent explanation of the matters contained in the recommendation;
- (b) if the recommendation in question were made by an investment firm to a client, it would not constitute the provision of investment advice for the purposes of Directive 2014/65/EU.

## 4. Identification of Conflicts of Interest

4.1. Conflicts of interest can arise in the course of providing any investment and ancillary services, or combinations thereof, including those caused by the receipt of inducements from third parties or by the investment firm's own remuneration and other incentive structures between:

- company, including their managers, employees and tied agents, or any person directly or indirectly linked to them by control, and its clients;
- one client and another;
- a combination of the above two possible scenarios and which may arise in the course of providing investment and ancillary services or a combination thereof and whose existence may damage the interests of the client.

4.2. 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, investment firms shall take into account, by way of minimum criteria, whether the investment firm or a relevant person, or a person directly or indirectly linked by control to the firm, is in any of the following situations, whether as a result of providing investment or ancillary services or investment activities or otherwise:

- (a) Company or relevant person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- (b) Company or 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) Company or 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;
- (d) Company or relevant person carries on the same business as the client;
- (e) Company or relevant person receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services;
- f) Company is involved as financial adviser, broker, nominated adviser, sponsor, underwriter or otherwise in a new issue, underwriting, rights issue, takeover or similar transaction concerning an investment, or the issuer of an investment or a related investment, where existing or new shareholders are also clients of the Company when trading other securities;

Company or related person are strictly forbidden to:

- a) favour the interest of one client over another;

- b) have fees that depend on the outcome of a transaction;
- c) have a relation with the issuers of the financial instruments, e.g. close family relation;
- d) keep investor accounts in other investment firms without the prior authorisation from the Company;
- e) hide information from investors which they have right or access to;
- f) use inside information or non-public proprietary information for own purposes;
- g) use inside information or non-public proprietary information to recommend or solicit the purchase or sale of a security;
- h) disclose inside information to unauthorised Company personnel.

4.3. Once the Company identifies the said conflicts of interests mentioned above Company shall:

- a) prevent the possibility of such conflicts of interest from adversely affecting the interest of its clients applying the following measure:
  - managing conflicts of interest which means ensuring that relevant persons engaged in different business activities involving a conflict of interest of the kind identified by the Company, carry on those activities at a level of independence appropriate to the size and activities of the Company;
- b) where this is not possible, clearly disclose the nature and/or sources of conflicts of interest to the client before undertaking the business on its behalf.

Board of Directors must insure that conflict mitigation is part of a strong and effective compliance and risk management program. For this reason a culture of compliance within a firm should be established starting from the Board of Directors.

Culture of compliance should promote zero tolerance for conflict-of-interest violations. In this context compliance function shall have adequate resources, full independence from staff including senior management, and is recognised by the regulator to have the necessary standing and authority to make staff, even senior staff, take notice.

In order to prevent conflicts of interest Company should apply the following measures, ensuring the requisite degree of independence:

- 1) Prevention of unauthorised access to confidential information. The security features of the system ensure that access by unauthorised persons is prevented.
- 2) All employees shall declare to the Company if they:
  - have any relation to any major shareholders or any member of the Board of Directors of any other Company;
  - have any relation to any employee of another department in the Company;
  - possess share capital in any other Company.
- 3) Each personal transaction should be performed only with acceptance of the compliance and risk management functions;
- 4) Should be clear "Chinese Walls" between the departments in order to prevent the following situations:
  - the exchange of information;

- a direct link between the remuneration of a person engaged in one activity with the remuneration of a person engaged in another activity.

5) 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 firm should have clear job descriptions and should be under separate supervision performed by compliance and risk management functions;

6) All relevant staff should be trained regarding conflicts of interest requirements;

7) All relevant persons should be aware of the Policy provisions;

8) Company possesses the right to decline or withdraw from a transaction in which a significantly material conflict of interest for the Company arises;

9) Escalation to senior management who have responsibility for the strategy of the Company and an appreciation of the relationship and reputation risks that may arise.

## **5. Management and mitigation of conflicts of interest**

Should a Conflict of Interest arise, it must be managed promptly and fairly and within the natural proportional limits of the Company structure. The Company has developed and set in place the following measures in order to manage and mitigate conflicts of interest:

### **5.1. Inducements**

The Company will act honestly, fairly and professionally in accordance with the best interest of the client and provide its clients with information on the following so as to avoid any conflict of interest in relation to inducements:

- the total price to be paid by the client (including commissions, charges, expenses and all taxes payable via the Company) and the method for calculating the price;
- Where any part of the total price is to be paid or represents an amount in a foreign currency and all the associated details;
- Notification of other potential costs or taxes that may arise (which are the liabilities of the client for the transactions of their financial instruments);
- Arrangements for payment;
- Method for calculating a non-monetary benefit payable by the client.

### **5.2. "Inside" Information**

The employees of the Company are prohibited from misusing "inside" or non-public "proprietary" information as such terms are defined above.



The following provisions should therefore be adhered to:

- No relevant person may purchase or sell a security or cause the purchase or sale of a security for any account while in possession of "inside" information relating to that security;
- No relevant person may recommend or solicit the purchase or sale of any security while in possession of "inside" information relating to that security;
- No relevant person may disclose "inside" information to others, except disclosures made in accordance with the Company's policies and procedures to other Company personnel or persons outside the Company who have a valid business reason for receiving such information;
- No relevant person may purchase or sell or cause the purchase or sale of a security for an employee or employee-related account or a proprietary account of the Company or an account over which an employee exercises investment discretion, while in possession of "proprietary" information concerning a contemplated block transaction in the security or for a client account when such client has been provided such information by any associated person.

### 5.3. Chinese Walls

Chinese walls in a Company refer to the distinct segregation between different units or activities or departments. This is done to block the exchange of information and to preserve the use of confidential information. The ultimate objective of Chinese walls is thus to eliminate the misuse of inside information or non-public proprietary information.

In particular the following are carried out by all managers and employees of the Company to establish Chinese Walls:

- Confidential information is not discussed in public places e.g. restrooms, elevators, hallways, receptions and social gatherings;
- Avoid using speakerphones in confidential conversations where unauthorized persons may overhear;
- Use code names for confidential projects or clients where appropriate;
- Confidential documents are strictly forbidden to be placed in insecure locations where unauthorized persons may read them e.g. supermarkets, at home etc.
- Access to the Company's office is restricted by unauthorized persons;
- Access to the Company's records is restricted by unauthorized employees;
- Access to the Company's records to authorized clients is accompanied by an employee.

### 5.4. Fair Treatment of Clients

The Company is responsible for treating its clients fairly and carries out the following procedures to ensure this:

- Disclosure of a conflict of interest to clients;
- Establishing strict Chinese walls;
- Ensuring that clients' interests are of the highest priority to the Company;

- Employees are required to declare to the Company any shareholdings, trading accounts or relations (the employee will not be placed on an assignment if an independence issue is identified – in extreme cases the potential client may need to be rejected);
- Segregation of Company assets from client assets.

## 5.5. Watch List and Restricted List

The Compliance Officer is responsible for updating and maintaining the Restricted and Watch lists, and monitoring occurs by senior management.

The Watch List is a list of securities which the Company chooses to monitor, without restricting trading in those securities. The particular securities may have been chosen as the Company may have received confidential information, such as in transactions which the Company has provided advice or performed deals.

The Watch List is used to ensure compliance with the procedures relating to insider trading and Chinese walls.

The Restricted List is a list of securities, which are subject to restrictions in handling client orders, as well as for personal and related accounts. The placement of a security on the Restricted List generally restricts trading in the specific classes of the security.

When a security is put on the Watch List or Restricted List, the Company reviews the associated transactions (related personal accounts and client accounts) on a daily basis.

## 5.6. Specific Trading Limitations

- Before purchasing or selling a security, employees are required to check whether a security is restricted (through the Restricted List);
- For all securities on the Watch List, trading is disallowed for the first three days after the securities have been added on the Watch List;
- Employees are not allowed to purchase or sell securities based on information learned from clients or derived from clients' trading activity;
- Employees are not allowed to purchase or sell securities which are the subject of the Company's research;
- Furthermore, employees are restricted by policies and procedures set by the General Manager for the handling of inside and proprietary information.

## 5.7. General requirements in relation to underwriting or placing

### 5.7.1. General provisions

When providing advice on corporate finance strategy and providing the service of underwriting or placing of financial instruments, Company shall, before accepting a mandate to manage the offering, inform the issuer client on conflicts of interest that may arise where the firm places the relevant financial instruments with its investment clients or with its own proprietary book.

Company shall have in place a centralised process to identify all underwriting and placing operations of the firm and record such information, including the date on which the firm was informed of

potential underwriting and placing operations. Firms shall identify all potential conflicts of interest arising from other activities of the Company and implement appropriate management procedures. In cases where an investment firm cannot manage a conflict of interest by way of implementing appropriate procedures, the Company shall not engage in the operation.

When providing execution and carrying out underwriting and placing activities Company shall ensure adequate controls are in place to manage any potential conflicts of interest between these activities and between their different clients receiving those services.

When providing execution and research services as well as carrying out underwriting and placing activities Company shall ensure adequate controls are in place to manage any potential conflicts of interest between these activities and between their different clients receiving those services.

In order to avoid any conflict of interest Company shall establish new Corporate Finance and Underwriting Department. The objectives of the Corporate Finance and Underwriting department is to provide corporate finance and underwriting services to the Company's clients. These services will be carried out in compliance with the Company's Internal Operations manual, the guidelines provided by the Investment Committee, the limits established by the Risk Management department and the provision of the Laws and Directives issued by the Cyprus Securities and Exchange Commission. More details on the activity of the Corporate Finance and Underwriting Department, conflicts of interest that may arise and the ways of mitigation of the identified conflicts of interest are described in the Company's Internal Operations manual.

### ***5.7.2. Additional requirements in relation to pricing of offerings in relation to issuance of financial instruments***

Company shall have in place systems, controls and procedures to identify and prevent or manage conflicts of interest that arise in relation to possible underpricing or overpricing of an issue or involvement of relevant parties in the process. In particular, Company shall as a minimum requirement establish, implement and maintain internal arrangements (syndicate arrangement) to ensure both of the following:

(a) that the pricing of the offer does not promote the interests of other clients or firm's own interests, in a way that may conflict with the issuer client's interests; and

(b) the prevention or management of a situation where persons responsible for providing services to the Company's investment clients are directly involved in decisions about corporate finance advice on pricing to the issuer client.

Company shall provide clients with information about how the recommendation as to the price of the offering and the timings involved is determined. In particular, Company shall inform and engage with the issuer client about any hedging or stabilisation strategies it intends to undertake with respect to the offering, including how these strategies may impact the issuer clients' interests. During the offering process, Company shall also take all reasonable steps to keep the issuer client informed about developments with respect to the pricing of the issue.

### ***5.7.3. Additional requirements in relation to placing***

Company shall establish, implement and maintain effective internal arrangements to prevent or manage conflicts of interests that arise where persons responsible for providing services to the Company's investment clients are directly involved in decisions about recommendations to the issuer client on allocation. Syndication arrangement is utilized by the Company.

Company shall not accept any third-party payments or benefits unless such payments or benefits comply with the inducements requirements laid down in item 5.1. of this Policy and Article 24 of Directive 2014/65/EU. In particular, the following practices shall be considered not compliant with those requirements and shall therefore be considered not acceptable:

a) an allocation made to incentivise the payment of disproportionately high fees for unrelated services provided by the Company ('laddering'), such as disproportionately high fees or commissions paid by an investment client, or disproportionately high volumes of business at normal levels of commission provided by the investment client as a compensation for receiving an allocation of the issue;

(b) an allocation made to a senior executive or a corporate officer (if applicable) of an existing or potential issuer client, in consideration for the future or past award of corporate finance business ('spinning');

(c) an allocation that is expressly or implicitly conditional on the receipt of future orders or the purchase of any other service from the Company by an investment client, or any entity of which the investor is a corporate officer.

## **5.8 General requirements in relation to investment research**

Investment Research is outsourced to Dragon Capital Kiev, whereby the department produces and disseminates with due professional care the research reports or other information explicitly or implicitly concerning one or several financial instruments or the issuers of financial instruments, including any opinion as to the present or future value or price of such instruments, intended for distribution channels or for the public. The service is defined as investment research if it is labeled or described as investment research or in similar terms, or is otherwise presented as an objective or independent explanation of the matters contained in the recommendation.

The dissemination of research does not constitute the provision of investment advice for the purposes of the regulation. The employees of the department (financial analysts and other relevant persons) involved with the investment research do not undertake personal transactions in financial instruments to which investment research relates. In addition they are not engaged in personal transactions, or in any related financial instruments, with the knowledge of the likely timing or content of that investment research which is not publicly available or available to customers and cannot readily be inferred from information that is so available, until the recipients or the investment research have had a reasonable opportunity to act on it.

### ***Reporting lines and remuneration***

- Research analysts report to and are supervised by the Head of Research who in turn reports to the General Manager and the Board of Directors of DCC
- Research analysts, whose responsibility is to assess and analyze investments or its issuer, neither report to nor are supervised by any employee who is remunerated on the basis of sales or trading performance
- In cases when the Head of Research additionally performs the role of research analyst, any issues or matters arising from this element of responsibility would be directed to the General Manager and Compliance / AML Officer of DCC
- The research analysts remuneration as well as that of Head of Research is not linked to any specific transactions or recommendations, but is based upon their personal performance and the general profitability of DCC

It is the view of DCC that research analysts remuneration is not determined by anyone outside Dragon Capital or DCC and that the assessment of an analysts' remunerations is not structured so as to create an incentive which is inconsistent with the provision of an impartial assessment of the subject matter of the investment research.

### ***Editorial control and approval of research***

The research reports are produced by Dragon Capital Kiev for DCCL. For the production and content of the research, the rules and conditions included in this policy are mandatory and are followed by Dragon Capital. Editing control for research in relation to the technical content and conclusions rests with the research analyst preparing the report. The Head of Research reviews the research as well and gives his final approval for the publication of the research. The purpose of this review is to make sure that the research report is clear, fair and not misleading, there is clarity in the content, the appropriate format is used and the relevant disclosures and disclaimers are in place. The issuers, relevant persons other than financial analysts, and any other persons are prohibited before the dissemination of investment research be permitted to review a draft of the investment research for the purposes of verifying the accuracy of factual statements made in that research, or for any other purposes other than verifying compliance with DCC's legal obligations, if the draft includes a recommendation or a target price.

### ***Contacts between research team, Dragon Capital and the DCC***

In order to avoid any actual or perceived conflict of interest which could undermine the independence of the research analysts and their research it is prohibited during the period of research to contact the employees of the trading department of Dragon Capital as well as of DCCL, except in limited cases and subject to the fulfillments of certain conditions, including the research analyst involved to obtain prior authorizations for such contract from the Head of Research. Any such approval shall be granted after taking into consideration the reason of the request and after ensuring that the discussions which may take place do not involve the passing of confidential or nonpublic, price sensitive information to the research analyst and/or give rise to actual or potential conflict of interest. In case Dragon Capital have a public role in an investment banking transaction or either of them had recently an interest or an investment banking relationship with a subject DCC, then a specific disclosure of this interest should be made on the body of the research paper.

### ***Personal transactions dealings***

Relevant persons and their affiliates who are engaged in the preparation of investment research and analysis, and any other persons involved or who have access to information relating to the research are not allowed to engage in any personal transactions with financial instruments related to the research. Relevant persons or any other employee of DCC are prohibited from using inside information, either for their benefit, or for the

benefit of any of their affiliates or through providing advice to any person to proceed with any transactions related to the financial instruments for which a relevant person or employee of DCC has inside information.

### ***Outside business interests/activities***

Conflicts could also arise where a research analyst of Dragon Capital or DCC has a personal involvement in a subject DCC. In order to avoid any perception that research analysts are influenced by their interests outside Dragon Capital or DCC, it is required that prior permission to engage in any outside business activity is required by the Board of Directors. Such permission will be given by the Board after considering all possible conflicts that may arise and how and if they could be monitored appropriately. In case a member of the research analysts team has already an interest to a DCC which is subject of the Research the employee will be excluded from the team and will be given other duties or tasks by the Head of Research for a specific period of time which are not in conflict or endanger the independence of the research. The employee will be also assigned to work from a completely different location than the one that the research team is working to.

## **5.9. Duties of the Compliance Officer**

The Compliance Officer is responsible for reviewing whether the Conflict of Interest policy is adhered to by all members of staff.

In the case when a violation of the policy is discovered, the Compliance Officer reports this to senior management.

## **5.10. Duties of the senior management**

Depending on the case senior management will take appropriate measures.

## **5.11. Records of Conflicts of Interest**

Investment firms shall keep and regularly update a record of the kinds of investment or ancillary service or investment activity carried out by or on behalf of the firm in which a conflict of interest entailing a risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise.

Senior management shall receive on a frequent basis, and at least annually, written reports on situations referred to in this paragraph.

## **5.12. Disclosure of Conflicts of Interest**

In extremely rare cases, a particular activity or activities of the Company might conflict with the interests of its Clients. For this reason, the Company has procedures to protect the Client's interests from conflicts that might arise from a firm's own activities. In certain circumstances, if some Conflict of Interest remains and, where permissible by local regulations, disclosure to an affected client may be made in order to seek Client consent to act. Disclosure will be made of the general nature and/or sources of conflict to enable the client to make an informed decision.

For certain financial instruments, the relevant persons must provide, at a reasonably sufficient time before trading in the Financial Instrument, disclosures to counterparties regarding any material incentives and conflicts of interest present in connection with the said financial instrument.

Standardised disclosures indicating the types of conflicts that may be relevant with respect to the particular class of transactions. However, additional types of material incentives and conflicts of interest may be required to be disclosed in particular cases. Similar disclosures are required for research reports and public appearances.

In addition to disclosures regarding material incentives and conflicts of interest, other disclosures must also be made at a reasonably sufficient time before entering into the financial instrument transaction, including the material risks of the instrument, material contract characteristics, and economic terms of the instrument.

Should be mentioned that conflicts of interest's disclosure to clients, pursuant to Article 23(2) of Directive 2014/65/EU, is a measure of last resort that shall be used only where the effective organisational and administrative arrangements established by the Company to prevent or manage its conflicts of interest in accordance with Article 23 of Directive 2014/65/EU are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented.

The disclosure shall clearly state that the organisational and administrative arrangements established by the Company to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented. The disclosure shall include specific description of the conflicts of interest that arise in the provision of investment and/ or ancillary services, taking into account the nature of the client to whom the disclosure is being made.

The description shall explain the general nature and sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks, in sufficient detail to enable that client to take an informed decision with respect to the investment or ancillary service in the context of which the conflicts of interest arise.

### **5.13. Policy's review**

Company shall assess and periodically review, on an at least annual basis, the conflicts of interest policy established in accordance with legal requirements and shall take all appropriate measures to address any deficiencies. Over-reliance on disclosure of conflicts of interest shall be considered a deficiency in the investment firm's conflicts of interest policy.

## **6. Personal transactions**

### **6.1. Scope of personal transactions**

A personal transaction shall be a trade in a financial instrument effected by or on behalf of a relevant person, where at least one of the following criteria are met:

- (a) the relevant person is acting outside the scope of the activities he carries out in his professional capacity;
- (b) the trade is carried out for the account of any of the following persons:
  - (i) the relevant person;
  - (ii) any person with whom he has a family relationship, or with whom he has close links;
  - (iii) a person in respect of whom the relevant person has a direct or indirect material interest in the outcome of the trade, other than obtaining a fee or commission for the execution of the trade.

## **6.2. Arrangements aimed at preventing the following activities:**

6.2.2. Company shall ensure that relevant persons do not enter into a personal transaction which meets at least one of the following criteria:

- (a) that person is prohibited from entering into it under Insider Dealing and Market Manipulation (Market Abuse) Law and/ or other regulations/decisions of CySEC;
- (b) it involves the misuse or improper disclosure of that confidential information;
- (c) transaction conflicts or is likely to conflict with an obligation of the Company under the Law which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters;
- d) the financial instruments are included on the Restricted or Watch Lists;
- e) relevant person and their affiliates is/are engaged in the preparation of investment research and analysis, participation and any other persons involved or who have access to information relating to the research in case of transactions with financial instruments related to research and IPO.

6.2.3. Company shall ensure that relevant persons do not advise or recommend, other than in the proper course of employment or contract for services, any other person to enter into a transaction in financial instruments which, if it were a personal transaction of the relevant person, would be covered by item 6.2.2.;

6.2.4. Without prejudice to Article 10(1) of Regulation (EU) No 596/2014, Company shall ensure that relevant persons do not disclose, other than in the normal course of his employment or contract for services, any information or opinion to any other person where the relevant person knows, or reasonably ought to know, that as a result of that disclosure that other person will or would be likely to take either of the following steps:

- (a) to enter into a transaction in financial instruments which, if it were a personal transaction of the relevant person, would be covered by paragraphs 6.2.2. or 6.2.3.;



(b) to advise or procure another person to enter into such a transaction.

6.2.5. Mentioned above arrangements shall be designed to ensure that:

(a) each relevant person covered by items 6.2.2., 6.2.3. and 6.2.4. is aware of the restrictions on personal transactions, and of the measures established by the investment firm in connection with personal transactions and disclosure, in accordance with items 6.2.2., 6.2.3. and 6.2.4.

(b) the Company is informed promptly by Head of Brokerage Department or Head of Dealing on own account of any personal transaction entered into by a relevant person, either by notification of that transaction or by other procedures enabling the firm to identify such transactions;

(c) a record is kept of the personal transaction notified to the Company or identified by it, including any authorisation or prohibition in connection with such a transaction.

***If applicable:*** In the case of outsourcing arrangements, the Company shall ensure that the firm to which the activity is outsourced maintains a record of personal transactions entered into by any relevant person and provides that information to the investment firm promptly on request.

Items 6.2.2. to 6.2.5. shall not apply to the following personal transactions:

(a) personal transactions effected under a discretionary portfolio management service where there is no prior communication in connection with the transaction between the portfolio manager and the relevant person or other person for whose account the transaction is executed;

(b) personal transactions in undertakings for collective investments in transferable securities (UCITS) or AIFs that are subject to supervision under the law of a Member State which requires an equivalent level of risk spreading in their assets, where the relevant person and any other person for whose account the transactions are effected are not involved in the management of that undertaking.

### **6.3. The following measures should be taken in order to perform personal transaction:**

a) relevant persons are required to disclose existing holdings upon joining the Company and at least annually thereafter;

b) relevant persons are required to obtain prior written permission for personal account dealing from the Compliance Officer and Risk Manager. The permission should be valid for no more than 5 trading days, and be subject to the following constraints:

(i) relevant persons may not buy or sell an investment on a day in which the Company has a pending "buy" or "sell" order in the same investment until that order is executed or withdrawn;

(ii) relevant persons may not buy or sell an investment for their personal account within 1 day after complete execution of the order (if the relevant person is aware of a forthcoming client transaction) in that investment on behalf of a client;

(iii) relevant persons may not buy or sell an investment for their personal account within 1 trading day before (if the relevant person is aware of a forthcoming recommendation) or after a recommendation on that investment is made or proposed by the Company;

**Important:** Subject to the rules enforced by the Compliance Officer, the restrictions in (ii) and (iii) above need not be applied where client orders have been fully executed and any conflicts of interest have been removed.

(iv) cross trades between relevant persons and clients be prohibited;

(v) that short-selling of any securities recommended by the Company for purchase be prohibited;

c) that relevant persons are required to hold all personal investments for at least 30 days, unless prior written approval of the Compliance Officer or Risk Manager is given for an earlier disposal;

d) that relevant persons are required, either:

(i) to hold their personal accounts with the Company or a connected person and place all deals through that corporation; or

(ii) obtain approval from the Compliance Officer for outside brokerage accounts, and ensure that copies of records and statements of personal transactions entered into by them are submitted to the Compliance Officer.

Company should maintain and distinguish personal transactions for relevant persons from other transactions, and to ensure that such transactions are properly approved and there is an adequate audit trail of such approval and the transaction.

## 7. Market Abuse monitoring, detection, prevention and reporting

Market abuse is a concept that encompasses unlawful behavior in the financial markets and it should be understood to consist of insider dealing, unlawful disclosure of inside information and market manipulation. Such behaviour prevents full and proper market transparency, which is a prerequisite for trading for all economic actors in integrated financial markets.

The essential characteristic of insider dealing consists in an unfair advantage being obtained from inside information to the detriment of third parties who are unaware of such information and, consequently, the undermining of the integrity of financial markets and investor confidence. Employees of the Company who is in possession of inside information are prohibited to take unfair advantage of the benefit gained from that information by entering into market transactions in accordance with that information by acquiring or disposing of, by attempting to acquire or dispose

of, by cancelling or amending, or by attempting to cancel or amend, an order to acquire or dispose of, for his own account or for the account of a third party, directly or indirectly, financial instruments to which that information relates.

Orders placed before a person possesses inside information should not be deemed to be insider dealing.

The employees of DCC are prohibited from misusing "inside" information and engaging in market abuse. Market abuse includes:

- Inside information is non-public information which has been provided to DCC by an external source on the basis that it will be kept confidential and will not be used for DCC's benefit, including management, employees and their associated persons
- Improper disclosure is where there is disclosure of inside information by the director of an issuer to another person in a social context and then improperly disclosing this information to the analysts
- Manipulating transactions effecting transactions or orders to trade, other than for legitimate reasons and in conformity with accepted market practices which give or are likely to give a false or misleading impression as to the supply of, or demand for, or as to the price of specific financial instrument
- Any other activities aimed to create a false or misleading impression as to the supply of, demand for or price or value on investments

In no cases should the employees of DCC engage in behavior that could be considered as market abuse. It should be noted that refraining from disclosing information may result to market abuse. If there is any doubt about what constitutes market abuse then the Compliance/ AML Officer should be contacted to provide clarifications.

Having assessed the scale, size and nature of its business activity, the Company implemented in its daily operations such appropriate and proportionate arrangements and systems that ensure effective and ongoing monitoring for the purpose of detecting and identifying orders and transactions that could constitute insider dealing, market manipulation including cases of attempted insider dealing or market manipulation for all orders received and transactions executed. Such arrangements and systems secure reporting of orders and transactions that could constitute insider dealing, market manipulation or attempted cases of insider dealing, market manipulation under Regulation 596/2014.

Company regularly assesses the above-mentioned arrangements and systems (at least annually) and updates them where necessary.

Arrangements and systems that ensure effective and ongoing monitoring and further reporting, where required, of orders and transactions that could constitute insider dealing, market manipulation including attempted cases are clearly documented in writing.

Company system for market abuse prevention and detection consists of 2 main components: 1). a 2-level monitoring arrangement that allows ongoing orders/transaction monitoring and 2). a reporting arrangement for further reporting where necessary.

Levels of the 2-level monitoring system are:

1. Level 1 – “Pre-trade level”. Employees of the Company professionally arranging or executing transactions are direct participants of Level 1 and include Head of Dealing on Own Account Department and Head of Brokerage Department. Involvement of Head of Dealing on Own Account Department and Head of Brokerage Department secures appropriate level of human analysis in the monitoring and detection due to their professional knowledge and practical experience in financial markets. Criteria/indicators used for monitoring and detection are based on current legislature recommendations/requirements.

All future orders/proposed transactions that successfully pass monitoring at Level 1 are inputted into “1C” system.

Future orders/proposed transactions that do not pass monitoring and constitute insider dealing/market manipulation are reported as STOR using the reporting arrangement.

Future orders/proposed transactions that require additional assessment are sent by Head of Dealing on Own Account Department/Head of Brokerage Department to Head of Risk management Department and Head of Compliance/AML department for further review.

2. Level 2- “Post-trade level”. Level 2 is supplemental to Level 1. Process of monitoring and detection at Level 2 is performed independently by Head of Risk management Department and Head of Compliance/AML department by means of internal, orders/transactions recording systems “1C”. Such 2-level arrangement with independent approach at each level secures additional monitoring of orders/transactions for market abuse prevention and additional control of decisions taken by Head of Dealing on Own Account Department and Head of Brokerage Department in regards market abuse prevention. Level 2 provides certain level of automation – it is capable of producing alerts in line with predefined parameters in order to allow for further analysis to be conducted.

Reporting arrangement is based on the results of pre-trade assessment of future orders/proposed transactions at Level 1 and additional post-trade assessment at Level 2 of the orders/transactions inputted in recording systems “1C” and incorporates templates set by the Delegated regulation (EU) № 2016/957. Reporting arrangement is based on internal tech developments, using data from “1C” system.

Use of the above-described system for market abuse prevention together with orders/transactions recording systems “1C” allows the Company to maintain for the period of 5 years the information on the analysis performed and the reasons for submitting/not submitting a STOR. Information can be provided upon request. Staff involved in the monitoring/detection/identification/reporting is appropriately trained on a regular basis.

## PERSONAL TRANSACTIONS QUESTIONNAIRE

NAME	
POSITION	
TEL (WORK)	
FAX (WORK)	
TEL (PERSONAL)	
EXTERNAL BROKERAGE ACCOUNTS	YES NO

### EXTERNAL BROKERAGE ACCOUNTS, INFORMATION OF WHICH SHOULD BE DISCLOSED

NAME OF EXTERNAL BROKER	
ACCOUNT OPENING DATE	
TYPE OF ACCOUNT	
ACCOUNT HOLDER*	

NAME OF EXTERNAL BROKER	
ACCOUNT OPENING DATE	
TYPE OF ACCOUNT	
ACCOUNT HOLDER*	

NAME OF EXTERNAL BROKER	
ACCOUNT OPENING DATE	
TYPE OF ACCOUNT	
ACCOUNT HOLDER*	

\*Account registered in the employees' name; husband (wife) or partner accounts, even if living together without registered marriage; children's, parents or any other relatives' accounts if they are living with the employee or the employees' (or the employees' partner) dependants; accounts of legal entity, under direct or indirect control of the employee; accounts on which the employee has power of attorney or any other instruments which could benefit the employee directly or indirectly.

Date \_\_\_\_\_

Signature \_\_\_\_\_

**PERSONAL TRANSACTIONS STATEMENT**

NAME	
POSITION	
TEL(WORK)	
FAX (WORK)	
TEL(PERSONAL)	

I hereby confirm that\*:

All my personal transactions in financial instruments, under Part III of Third Appendix of Law 87(I)/2017 relate to the following Financial Markets:

For the duration of me holding the position of \_\_\_\_\_ with Dragon Capital (Cyprus) Limited, I shall not enter into any transaction in financial instruments or in financial markets that I know that Dragon Capital (Cyprus) Limited is involved with either for own account or on the behalf of its Customers, without the prior consent of Dragon Capital (Cyprus) Limited.

For the duration of me holding the position of \_\_\_\_\_ with Dragon Capital (Cyprus) Limited, I authorize Dragon Capital (Cyprus) Limited to directly request and obtain from the financial services company where I keep investment accounts, updates concerning any transactions performed on my account.

\*This relates to account(s) registered in the undersigned's name; husband (wife) or partner accounts, even if living together without registered marriage; children's, parents or any other relatives' accounts if they are living with the undersigned or the undersigned's (or the undersigned's partner) dependants; accounts of legal entity, under direct or indirect control of the undersigned; accounts on which the undersigned has power of attorney or any other instruments which could benefit the undersigned directly or indirectly.

Date \_\_\_\_\_

Signature \_\_\_\_\_