



## CONFLICT OF INTEREST POLICY FOR INVESTMENT SERVICES

### 1. General clauses

- 1.1. The Conflict of Interest Policy for Investment Services establishes the requirements for internal organization of the bank and measures intended to identify and control circumstances that may cause conflict of interest in the course of provision of investment services to clients.
- 1.2. This policy was drawn in accordance with the provisions laid down in Paragraph 70 of the Regulations on Organization of Activities of Brokerage Companies approved by the Securities Commission.

### 2. Terms used

- 2.1. **Broker** – an employee working in the Securities Trading Division holding a broker's license or any other Markets employee concluding transactions for the clients on such financial instruments or in such markets where broker's license is not needed;
- 2.2. **Markets employee** – every employee of the Markets Department (MD);
- 2.3. **Client** – any natural or legal person to whom services are provided by a Markets employee.

### 3. Identification of a conflict of interest

- 3.1. Conflict of interest is a situation, where:
  - 3.1.1. Interests of the Bank, its management, other employees or persons related through control relations contradict the Bank's obligations to the client or when Bank's obligations to one client contradict the interests of another client;
  - 3.1.2. Interests of Investment Banking employees, other employees of the Bank or persons related through control relations, trading in financial instruments, contradict with the Bank's interests or Bank clients' interests.
- 3.2. It shall be considered that a conflict of interest may arise when Markets personnel perform the following functions:
  - 3.2.1. Provision of investment recommendations;
  - 3.2.2. Trade in financial instruments on the account of the bank or employees;
  - 3.2.3. Trade in financial instruments on the client's account;
  - 3.2.4. Management of clients' portfolio of investment instruments;
  - 3.2.5. Provision of corporate consulting services.
- 3.3. Circumstances, when provision of investment services may cause a conflict of interest:
  - 3.3.1. The Bank concludes or intends to conclude a transaction on a financial instrument at the same time, when Clients' orders regarding the same financial instruments are received or carried out;
  - 3.3.2. The Bank or responsible employees of the Bank receive financial or other incentive affecting their behavior and resulting in a priority to a client or group of clients over other clients;
  - 3.3.3. A unit of the Bank carrying out research (assessments) of investment instruments is related or operates together with a unit providing investment recommendations;
  - 3.3.4. The Bank controlling portfolios of financial instruments of several clients or funds distributes financial instrument of one issue;
  - 3.3.5. The Bank provides corporate consulting service to a company, at the same time holding or planning an investment in the financial instrument(s) of the same company or provides investment recommendations on such financial instrument(s) to clients;
  - 3.3.6. Other situations that may bring about conflict of interest.



#### 4. Avoidance of a conflict of interest

- 4.1. In order to prevent possible conflict of interest, the work of Markets personnel performing functions mentioned in Paragraph 2, Section III above, shall be organized to restrict or control their possibilities of direct exchange of unpublished information.
  - 4.1.1. Fulfilling the requirement laid down in this Paragraph, MD organizational structure shall be arranged to ensure provision of the services of private banking, corporate consulting, investment portfolio control and other services listed in Paragraph 5 by different MD structural units headed by different persons. Personnel, providing investment recommendations, personnel, trading in financial instruments at the clients' account, and personnel, trading in financial instruments at the bank's account work in different premises and do not have uncontrolled communication possibilities.
- 4.2. Material or nonmaterial incentive of personnel of one MD unit may not depend directly on performance of personnel of the other MD unit (units).
- 4.3. Other measures to avoid conflict of interest include the following:
  - 4.3.1. A broker is not allowed to conclude or recommend conclusion of transactions on purchase or sale of financial instruments aimed at receipt of commissions.
  - 4.3.2. The same broker has no right to conclude a transaction for and on behalf of the Bank at the Bank's account and on his/her own behalf and at his/her own account if a client's order was received on the same financial instrument until the client's order is fulfilled, or may conclude a transaction only if conditions are better (in market respect) than client's. Orders with the same conditions received from different clients must be carried out according to the sequence of receipt of the orders, i.e. first of all orders that were received earlier are carried out.
  - 4.3.3. If interests of the Bank, Bank's employee and client collide, priority must be given to the client's interests. In the second place, the Bank's interests must be satisfied.
  - 4.3.4. In case of a conflict of interest, Markets employee must disclose the contents of the conflict to all parties concerned, and to start providing an investment service, on the basis of which the conflict arose, only when all the parties have no objection to it. Head of MD must control that the conflict of interest is settled following the provisions of this policy. A notice about every case of conflict of interest must be given to the Compliance Unit.
  - 4.3.5. Markets personnel are prohibited to exchange information related with investment service provided to a client or intentions to provide it if such exchange of information is not intended for proper fulfillment of the client's order.
  - 4.3.6. Markets personnel are prohibited to give valuable things, money as a present or accept them if such reward may affect decision making of the employee or proper fulfillment of his/her duties.
  - 4.3.7. When providing public recommendations related with investment researches, Markets employee, apart from other information, must notify the following:
    - 4.3.7.1. The Bank is developing a market by recommended financial instruments and the bank or its related persons are ready to buy or sell financial instruments for the named price;
    - 4.3.7.2. A Bank and (or) Markets personnel own derivatives related with the recommended financial instruments;
    - 4.3.7.3. The Bank during last three years organized or conducted issue of financial instruments of the recommended issuer.

#### 5. Control

- 5.1. Compliance Unit must draw and the Chair of the Bank's Board must approve a list of financial instruments, because of which a conflict of interest is possible in the course of provision of investment services or conclusion of transactions. All MD employees shall be familiarized with this list.
- 5.2. Compliance Unit shall monitor those transactions on financial instruments that may cause a conflict of interest and give immediate written notice about any breaches of the established order detected to the Chair of the Bank's Board and Internal Audit Department.