

Conflict of Interest Management Policy

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EBH
EUROPEAN BROKERAGE HOUSE

General Provisions

Article 1

This Conflict of interest management policy of the investment firm EUROPEAN BROKERAGE HOUSE OOD (EBH) has been approved pursuant to the Commission Delegated Regulation (EC) 2017/565 on 25 April 2016, art. 76 of the Markets in Financial Instruments Act (MFIA) and art. 42, para 1 and Art. 75, para. 1, p. 4 of Ordinance № 38 on the Requirements to the Activities of Investment Intermediaries (Ordinance № 38).

Article 2

This policy shall govern:

1. conflicts of interest management according to the size and the organisational structure of the investment firm and the nature, scale and complexity of the investment services and activities performed;
2. circumstances which are deemed a conflict of interest or which may lead to a conflict of interest, with a risk to damage the interests of a client or clients of the investment firm regarding each specific service or activity performed by the investment firm;
3. procedures and measures to manage and avoid conflicts of interest.

Article 3

The current policy:

1. determines, in respect of the specific investment services and activities and ancillary services performed by EBH, the circumstances that pose or may give rise to a conflict of interest leading to the risk of harm to the interests of one or more clients;
2. identifies procedures to be followed and measures to be adopted to manage such conflicts.

Article 4

This Policy is meant to identify, prevent or control conflicts of interest and maximise mitigation of related risks through effective mechanisms and procedures. The disclosure of conflicts to clients is only used as a solution of last resort.

Scope

Article 5

With the performance of investment and ancillary services, EBH shall take all necessary actions to identify and prevent or manage conflicts of interest between:

1. EBH, including members of management and control bodies, persons who have an employment agreement with the investment firm, tied agents, and all other persons directly or indirectly linked to it by control, on the one hand, and its clients, on the other;

2. its individual clients.

Article 6

1. If, despite applying the conflict prevention rules, there still exists a risk for the interests of the client, EBH shall not be able to act on behalf of a client unless it has informed them about the general nature and/or the sources of potential conflicts of interest and the measures taken to limit the risk to the client's interests.
2. In the cases under the previous paragraph, before carrying out any activity on behalf of a client in relation to which there is a conflict of interest, EBH shall submit to the client information regarding the conflict of interest that shall be sufficient according to the client's characteristics for the latter to make an informed decision about the investment or ancillary service of which the conflict of interest arises.

Article 7

To avoid any conflicts of interest, the relevant persons shall be required to observe the following principles:

1. non-conflict behaviour – EBH and the relevant persons should not put themselves in a position where their interests will clash with the interests of the client, and if that happens, the client's interest should always be given priority. This Policy shall adopt the principle that the best conflict of interest management is its complete avoidance;
2. equal and fair treatment and loyalty to the clients – EBH shall always act in the interest of its client, EBH should not put itself in a position where the interest of one client conflicts with its obligation to another of its clients. The firm shall be required to use all its professional knowledge and experience in favour of its client, including any publicly available information it has received in relation to the service provided to the client;
3. confidentiality – EBH shall not be entitled to use to its advantage, or to the advantage of a third person, any confidential information it has received from a client, while acting for their account; information received by EBH that has not been made publicly available shall be used by the specially authorised persons and for the performance of their duties, in a manner which shall not create prerequisites for endangerment and contradiction to the interests of EBH's clients. The information shall be deemed a commercial and professional secret, and it shall not be presented to anyone unless it is reasonably required for the performance of their obligations as an employee of the investment firm and to bodies and persons authorised by law. EBH shall strictly monitor the use and exchange of information when the same may constitute a risk to its client's interests;
4. EBH shall act honestly, fairly and professionally when providing investment and ancillary services in compliance with the best interests of its clients.

Situations of Conflict of Interest When Providing Services

Article 8

1. EBH identifies and reveals a variety of circumstances that may lead to a conflict of interest and potentially harm the interests of one or more clients. Conflict of interest can occur if EBH and/or a relevant person:
 - 1.1. has the opportunity to make a financial gain or to avoid a financial loss at the expense of the client, including through the execution of client orders;
 - 1.2. has an interest in the outcome of the service provided to the client or in the transaction carried out on behalf of the client, which is different from the client's interest in this outcome;
 - 1.3. has a financial or another incentive to favour the interest of one client or a group of clients over the interest of another client;
 - 1.4. carries out the same business as the client or if there is competition between the business of the investment firm and the business of the client;
 - 1.5. receives or will receive from a person other than the client benefits in relation to a certain service, offered to the client, in the form of money, goods, services, remuneration or commission out of the standard for this service;
 - 1.6. EBH or persons associated with it could have an interest to favour the interest of another client or a group over the interest of the ordering client;
 - 1.7. EBH may have an interest that conflicts with the interests of clients and the transactions they enter into; for example, when clients trade in markets where EBH operates as a market maker or when EBH wants to invest in the same instruments but does so for its own account;
 - 1.8. In trading financial instruments issued and offered by EBH, EBH is a counterparty and acts as the issuer of the products it offers for trading, which may create a risk of conflict of interest. For these products, EBH determines the price at which it quotes the offered products. Further information on this conflict of interest can be obtained from Characteristics and Risks of Financial Products offered by EBH, available on EBH's website;
 - 1.9. When EBH acts as a market maker of a financial instrument in a certain market and manages its own risk by hedging in the same market, this may affect the market price of the financial instrument and the prices at which clients enter into transactions (incl. Positions to limit losses). In addition, it may be possible for EBH to benefit from its hedging activity, even though clients' positions are negatively changing in a declining market;
 - 1.10. EBH, relevant persons and related legal entities may enter into transactions in financial instruments, hold positions, open new ones, change or close positions in financial instruments for which the investment firm has published and/or circulated an investment recommendation, study or advice;
 - 1.11. acquires or may acquire or enter into a transaction, at its expense, with financial instruments

which it recommends to its clients to purchase, in case the investment firm and/or a relevant person shall derive any personal gain from the client's purchase;

- 1.12. a person simultaneously or sequentially takes part in the provision of separate investment or ancillary services, and this harms the client's interests;
 - 1.13. performs the unregulated exchange of information that is a commercial or professional secret among employees of the investment firm;
 - 1.14. provides information that is a commercial or professional secret to third persons or makes public statements without their prior approval by Compliance Department;
 - 1.15. if the remunerations in the different departments are made dependent on their work with clients which endangers the client's interest, and namely, the remuneration of employees (the scheme for additional variable remuneration) of the investment firm may be directly dependent on the trading volumes realised by the clients;
 - 1.16. EBH may receive or pay remuneration to or from third parties for attracting new clients. The amount of remuneration may be directly dependent on the commissions received from these new clients;
 - 1.17. enters into transactions with financial instruments to such an extent and frequency, at prices or with a certain counterparty, which according to the specific circumstances might be considered exclusively in the interest of the investment firm;
 - 1.18. enters into personal transactions in conflict with the requirements under the rules for personal transactions and the local legislation;
 - 1.19. if a relevant person has a qualified holding in another legal entity whose business is competitive to the business of EBH;
 - 1.20. if there is a relation, within the meaning of the MFIA, between a relevant person and another person, when that other person is a client of EBH.
2. The remuneration under point 1 is not exhaustive, as far as other situations which could be classified as a conflict of interest may arise in the practice of EBH, and they shall be settled according to the rules of this Policy.

Procedures and Measures to Avoid Conflict of Interest

Article 9

The means to avoid conflict of interest are:

1. Complete preliminary disclosure of information about potential/certain conflicts of interest by relevant persons;
2. Refusal to act in case of a conflict of interest when the principles specified above cannot be respected;

3. Prohibition of simultaneous or sequential involvement of the same person in the provision of separate investment or ancillary services and activities, where such involvement may impair the proper management of the conflicts of interest;
4. Compliance with the “need-to-know” principle – exchange of information (about financial capacity of clients, structure of the portfolio, intentions for investment, prepared but not distributed recommendations or investment advice, etc.) among different departments of EBH, which exchange may give rise to a conflict of interest, and this information may harm the interests of one or more clients, shall be performed after consulting the Compliance Department and the managers observing the need-to-know principle;
5. When EBH offers derivative trading products, issued by it, and determines the price of the product (quotation), EBH forms its quotations by acting objectively and fairly, and guided by the market levels at which the underlying asset is traded;
6. The distribution of studies or publications by EBH to clients, potential clients and other third parties is for informational and educational purposes and EBH does not thus influence the investment decision of a client, potential client or third party;
7. Measures to prevent or limit the exercise by any person of inappropriate influence on the manner in which the relevant person carries out investment or ancillary services or activities;
8. The absence of any direct relationship between the remuneration of persons who carry out one main activity and the remuneration of persons who carry out another activity for EBH or the revenues generated by the latter in case a conflict of interest may arise in relation to these activities;
9. Fair determination of the remuneration and of all additional payments to the relevant persons in a manner that shall not create any prerequisites for improper implementation of the functions assigned to these persons. Remunerations of relevant persons and related persons shall not be closely related to the revenues from the implementation of orders that hide a risk of a conflict of interest. EBH applies Remuneration, Discounts and Financial Benefits, Given or Received by a Third-Party Policy;
10. Separate control on persons whose main functions include provision of services on behalf and/or on account of clients or provision of services to clients when a conflict may arise between the interests of the clients, or who in any other way represent different conflicting interests between which a conflict could arise, including the interest of the investment firm;
11. Distribution of functions and responsibilities according to the organisational structure of the firm, which ensures the professional performance of each of them and does not lead to a conflict of interest;
12. Prohibition to combine functions among relevant persons if this combination of functions creates prerequisites for a biased and unprofessional performance of work duties and could harm the interest of a client;
13. Priority – client’s interests shall always have priority over the interests of EBH and the relevant persons;
14. All clients of EBH should be treated transparently, fairly and honestly;

15. Rules for personal transactions and prevention of market abuse – EBH has established internal rules of conduct for the relevant persons and their personal transactions intended to prevent market abuse (insider dealing and market manipulation) and conflicts of interest;
16. Order execution policy – this policy is intended to provide the best possible outcome for the ordering client from the execution of their orders;
17. Chinese walls – are information barriers within an organisation that are established to prevent exchanges or communication that could lead to conflicts of interest.
18. EBH monitors internal reporting and the effectiveness of its conflict of interest management policies and procedures.

Article 10

The management of conflicts of interest shall be carried out using the following methods:

1. Disclosure of information by relevant persons about:
 - 1.1. related persons as per the MFIA,
 - 1.2. marital status,
 - 1.3. employment or civil law relations with other legal entities, clients of EBH or its competitors,
 - 1.4. the occupied corporate positions – membership in management and control bodies of trade companies, head of departments or units, as well as any other positions allowing these persons to make management decisions,
 - 1.5. presence of loans or credit relations with legal or natural persons, clients of the firm or associated with clients of EBH,
 - 1.6. performance of the same business as the business of the client,
 - 1.7. receiving undue payment by a third person if a certain investment or ancillary service has been provided to the client (fees, bonuses, incentives, etc.),
 - 1.8. other circumstances required according to the legislation in force or determined with an order of the managers;
2. Establishment of an effective internal organisation, preventing misuse of information that is a professional secret inside EBH, establishment and application of a “Chinese wall”. The measures may also include the establishment of an internal security department, if necessary;
3. Effective procedures for preventing or controlling the exchange of information between relevant persons involved in activities, related to the risk of conflict of interest, where the exchange of such information may harm the interests of one or more clients;
4. Dedicated supervision of the persons, whose main functions are related to performing activities on behalf of clients, or providing services to clients, whose interests may be in conflict, or which other-

wise represent different interests that may be in conflict, including with those of EBH;

5. Withdrawal and refraining from action. This is when a situation occurs for a relevant person that is qualified as a conflict of interest under the Delegated Regulation (EU) 2017/565, MFIA, Ordinance No 38 and this Policy, while providing an investment or ancillary service, they are obligated to withdraw themselves and not participate in the decision-making or the provision of the relevant service;
6. Assessment by a third party. This is when a controversial situation occurs for a relevant person that could be classified as a conflict of interest while providing a certain service and a solution cannot be reached internally, then the managers of EBH shall be entitled to require an assessment by a third party. This shall independently assess whether or not there is a conflict of interest, as well as the threat to the interest of a certain client. The assessment shall be laid down in a protocol with the relevant reasons and conclusion which shall be submitted to the managers. The assignment for this assessment to a third party is done through an agreement, subject to strict confidentiality.

Article 11

EBH shall adopt measures to prevent or restrict the possibility of inappropriate influence by any person over the manner a relevant person performs the services and activities. The measures shall be as follows:

1. Restriction of the exchange of any computer information among employees, unless it is necessary for the normal and efficient provision of services for the account of the clients;
2. Restriction of the exchange of information on paper which may raise a conflict of interest, unless the exchange is necessary for the normal/efficient provision of services for the account of clients;
3. Signing declarations of confidentiality.

Article 12

Employees of EBH shall not be entitled to accept or to demand for themselves or for persons related to them any monetary or non-monetary benefits or gifts which give rise to doubts regarding their impartiality.

Article 13

The procedures and measures under this Policy are intended to ensure that the relevant persons involved in various business activities, related to a conflict of interest of the kind referred to in this Policy, carry out these activities to a degree of independence that is in line with the size and the activities of EBH, as well as the risk to harm the interests of clients.

Records of Services and Activities That Led to Harmful Conflict of Interest

Article 14

1. EBH keeps and regularly updates its records of the types of investment or ancillary services or investment activity where a conflict of interest has or may arise, as a result of which the interests of one or

more clients may be harmed.

2. The managers shall receive regular (in case of conflict of interest occurrence) or at least once a year reports on the cases referred to in the preceding paragraph by the Chief Compliance Officer.

Disclosure of Conflict of Interest to Clients

Article 15

EBH reveals a conflict of interest to its clients as a solution of last resort when the measures taken, or the administrative and organisational mechanisms have proved insufficient.

Article 16

1. The disclosure of conflict of interest explicitly states that the organisational and administrative mechanisms established by EBH for the prevention or management of this conflict are not sufficient to ensure with reasonable confidence that the risk of harming clients' interests will be prevented.
2. The disclosure of conflict of interest shall include a specific description of the conflicts of interest arising from the provision of investment and ancillary services, taking into account the nature of the client to whom the disclosure is made.
3. The description contains a sufficiently detailed explanation of the general nature and the sources of conflicts of interest. As well as the risks to the client arising from those conflicts of interest and the steps taken to mitigate those risks for the client to make an informed decision on the investment or ancillary service in the context of which conflicts of interest arise.

Incentives

Article 17

In accordance with the applicable law, EBH is not entitled to pay, respectively to provide and receive, remuneration, commission or non-monetary benefit, in connection with the provision of investment or ancillary services, except in the exceptions provided by law.

Article 18

Such an incentive could create a conflict of interest when the payment or receipt of the incentive would divert EBH and the relevant persons from their duty to act in the best interest of their clients.

Article 19

To closely monitor the potential scenarios of conflict of interest with regard to incentives, EBH has established policies, procedures and controls around incentives that are important to the relevant persons and are required to follow.

Additional Provisions

Terms used in this Policy:

1. 'A relevant person' in relation to an investment firm, means any of the following:
 - 1.1. a director, partner or equivalent, manager or tied agent of the firm;
 - 1.2. a director, partner or equivalent, or manager of any tied agent of the firm;
 - 1.3. 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;
 - 1.4. 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.
2. 'A person with whom a relevant person has a family relationship' means any of the following:
 - 2.1. the spouse of the relevant person or any partner of that person considered by national law as equivalent to a spouse;
 - 2.2. a dependent child or stepchild of the relevant person;
 - 2.3. any other relative of the relevant person who has shared the same household as that person for at least one year on the date of the personal transaction concerned;
3. '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:
 - 3.1. the relevant person is acting outside the scope of the activities he carries out in his professional capacity;
 - 3.2. the trade is carried out for the account of any of the following persons:
 - 3.2.1. the relevant person;
 - 3.2.2. any person with whom he has a family relationship, or with whom he has close links;
 - 3.2.3. 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.
4. 'Related persons' shall be two or more natural or legal entities related through:
 - 4.1. a participation which is ownership, direct or by control, of 20 or more than 20 per cent of the voting rights of the company's (enterprise) equity;
 - 4.2. exercise of control of a parent company over its subsidiary in all cases specified in the Supple-

mentary Supervision of Financial Conglomerates Act or a similar relation between the natural and legal person and company: any subsidiary of a subsidiary shall also be considered a subsidiary of its parent company which is on the top of the group of these subsidiary undertakings.

- 4.3. when two or more natural or physical persons are permanently linked to the same person by a control relationship shall be regarded as related persons;
- 4.4. related persons within the meaning of the Bulgarian legislation in force, including but not limited to the Commercial Act and the Tax and Insurance Procedure Code.
5. Terms used in the Policy which have not been defined in these Additional Provisions shall be used with their meaning provided by the Bulgarian legislation in force, the MFIA, Ordinance № 38 of the Financial Supervision Commission and the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016.

Final Provisions

1. The managers of EBH shall annually, by 31st January, review and evaluate the compliance of this Policy with the services and activities provided by the investment firm, and in case of any omissions and a need to improve the internal organisation, they shall approve amendments and supplements to this policy.
2. This policy is part of the internal rules of EBH, and each employee gets acquainted with it at its inception and all subsequent updates.
3. This policy has been approved by the decision of the managers of EUROPEAN BROKERAGE HOUSE OOD of 15.05.2020.



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