

# CONFLICTS OF INTEREST POLICY

*"The policy that describes the Company's organizational and administrative arrangements designed to identify and prevent conflicts of interest"*

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## 1. Introduction

- 1.1. X GLOBAL Markets Ltd (hereinafter called the “Company”) is a Cyprus Investment Firm incorporated under the laws of Cyprus, which has its principal place of business at 162, Fragklinou Rousvelt, 1st Floor, CY-3045 Limassol and registered with the Registrar of Companies in Nicosia under the number HE 291958. The Company is regulated by the Cyprus Securities and Exchange Commission as a Cyprus Investment Firm (CIF) under the License Number 171/12. The *Conflicts of Interest Policy* (hereinafter called the “CIP”) is provided to Clients or potential clients in accordance with the provisions of the Investment Services and Activities and Regulated Markets Law of 2007 (No. 144(I)/2007), implementing Directive 2004/39/EC of the European Parliament and of the Council on Markets in Financial Instruments (“MiFID”) as amended by the Directive 2006/31/EC of the European Parliament and of the Council.
- 1.2. The CIP is an integral part of the *Client Agreement*, which constitutes an integral part of the *Collective Agreement*; the interpretation of the term *Collective Agreement* is set out in the *Client Agreement* (the agreement that constitutes the basis on which the Company provides investment services and activities and ancillary services to the Client; such agreement can be found online under the *Legal Information* section at <http://www.xglobalmarkets.com>). The interpretation of terms used in the CIP is set out in section 2 of the *Client Agreement* (“Interpretation of Terms”). The definition of other terms used in the CIP is set out in the aforementioned Law and/or in the applicable legislation and may

also be provided in the *Client Agreement* and/or in the CIP; such terms have quote marks. Terms without quote marks that are not interpreted in the *Client Agreement* and/or in the CIP shall have the meaning attributed to them in the aforementioned Law and/or in the applicable legislation.

- 1.3. In accordance with the provisions of Article 13(3) of Directive 2004/39/EC of the European Parliament and of the Council on Markets in Financial Instruments (hereinafter called the “Directive”), an investment firm shall maintain and operate effective organizational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest as defined in Article 18 of the Directive (hereinafter called the “Article”) from adversely affecting the interests of its Clients. The Article requires investment firms to take all reasonable steps to identify conflicts of interest between themselves, including their managers, employees and “tied agents”, or any person directly or indirectly linked to them by control and their Clients or between one Client and another that arise in the course of providing any investment and ancillary services, or combinations thereof.

## 2. Services

- 2.1 Conflicts of Interest” may, by way of example, occur within the context of:
  - i. The investment services and or ancillary services, or any combination thereof provided by the company to its clients and in which possible “Conflicts of Interest” may arise, are the following:

### Investment Services

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of Orders on Behalf of Clients

### 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
  - Foreign exchange services where these are connected to the provision of investment services
  - Investment Research and Financial Analysis or other forms
- ii. Inducements in connection with the investment services and or ancillary services, or any combination thereof provided by the company to its clients
  - iii. Performance-related remuneration paid to the Company's staff and intermediaries in connection with investment services and or ancillary services, or any combination thereof provided by the company to its clients
  - iv. Inducements granted to the Company's staff and intermediaries investment services and or ancillary services, or any combination thereof provided by the company to its clients
  - v. The Company's relationship with issuers of financial instruments
  - vi. The preparation of financial analysis on securities offered for sale to the Company's Clients
  - vii. Access and use of information obtained by the Company or the staff of the Company which is not in the public domain

- viii. Personal relationships of the Company's staff, or any persons associated with them, or the participation of these persons, in supervisory or advisory bodies.

### 3. Identification of Conflicts of Interest

- 3.1. In order to properly identify the different conflicts of interest that arise in the course of providing investment and ancillary services or a combination thereof and whose existence may be detrimental to a Client by damaging its interests, the Company, in accordance with the provisions of applicable legislation, takes into account, by way of minimum criteria, whether the Company 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:
  - The Company or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the Client.
  - The Company or that 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.
  - The Company or that person has a financial or other incentive to favor the interest of another Client or group of Clients over the interests of the Client.
  - The Company or that person conducts the same business as the Client.

- The Company or that 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 monies, goods or services, other than the standard commission or fee for that service.

#### 4. Example Conflicts of Interests

##### 4.1 Potential 'Conflicts of Interest' that may arise in providing the service of receiving and transmitting Client Orders in relation to one or more financial instruments

Where the Company is providing the service of receiving and transmitting Client Orders in relation to one or more financial instruments, 'Conflicts of interest' could arise in cases in which Orders are received at the same time from different Clients for the purchase or sale of certain financial instruments, such as equity securities, with no counterpart existing in the market for the different Orders.

The Company may be paid inducements by fund companies and issuing houses as remuneration for the sale of their financial instruments. This may include portfolio volume dependent trailer fees paid by fund companies out of the respective management fees collected from investors and the sales commissions paid by issuers of securities in the form of placement commissions, reductions on issue prices (discount/rebate) and trailer fees. In order to avoid any 'Conflicts of Interest', in those instances where the Company is paid inducements by fund companies and issuing houses as a remuneration for the sale of their financial instruments, the Company has decided not to retain inducements paid in favor of the Company, but to pass such payments through to its Clients.

Furthermore, in some instances, the Company may receive non-monetary inducements from other service providers in connection with its investment business, e.g. financial analyses or other data, training and sometimes technical services and equipment for access to third-party information and dissemination systems. These inducements are not directly related to services provided to Clients and the Company uses them to provide the high-quality services that Clients expect. They allow on-going improvements to the Company's Services.

With respect to the transactions conducted via its online trading platform(s), the Company charges commissions according to the conditions as agreed with its Clients. The level of commission is based on and limited to the respective surcharge as defined in the Company's current schedule of fees and services, which is accessible on the Company's Website(s) at [www.xglobalmarkets.com](http://www.xglobalmarkets.com)

##### 4.2 Potential 'Conflicts of Interest' that may arise in providing the service of investment research and financial analysis and other forms

Where the Company is providing the service of investment research and financial analysis, 'Conflicts of Interest' could arise in the following instances:

- A unit of the Company may be carrying out research or assessments of instruments while operating together with a unit of the Company providing other investment services;
- The Company may produce research material, which is to be used to support the Company's sales and trading activities, but which may at the same time be distributed to the Company's Clients and to the Company's associates or some other person connected to the Company.

##### 4.3 Other 'Conflicts of Interest' that may arise

Finally, managers, employees, brokers or persons directly or indirectly associated with the Company by a control relationship, may be subject to potential 'Conflicts of Interest' by virtue of their family, economic or professional links, or for any other reason related to a procedure, service or transaction, in instances in which:

- a) they may obtain a financial gain or avoid a financial loss, at the expense of a Client;
- b) they have an interest in the outcome of the service provided to a Client or the transaction performed on their behalf, other than the interest of the Client.

The Company itself may have a 'Conflict of Interest' in instances where it purchases a financial instrument for a Client and then sells it immediately to one of its other Clients or vice-versa.

## **5. Policies and Procedures to manage identified Conflicts of Interest**

5.1. In order to properly manage identified conflicts of interest that may damage the interests of a Client, the Company has established and implemented, amongst others, the following policies and procedures:

- An effective organizational structure designed to control flow of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may damage the interests of one or more Clients. The Company's organizational structure ensures the separate supervision of relevant persons and departments, whose functions involve carrying out activities on behalf of, or providing

services to, Clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Company.

- Departments engaged in the aforementioned services and/or activities are physically segregated within the Company's premises.
- The removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities.
- Procedures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.
- The prevention or limitation of any person from exercising inappropriate influence over the way in which a relevant person provides Investment or Ancillary Services or Activities.
- The implementation of procedures governing access to electronic data so that the persons engaged in each department do not have access to records and information concerning the subject matter of another department and which are not considered necessary for

the execution of their work.

- Requirements covering personal account dealing applicable to relevant persons in relation to their own investments.
- The Prohibition of external business interests conflicting with the interests of the Company and/or with the interests of relevant persons to the extent that the Board of Directors provides no such approval.
- The Company, financial analysts, and other relevant persons involved in the production of the investment research do not accept inducements from those with a material interest in the subject-matter of the investment research and must not promise issuers favorable research coverage.
- Issuers, relevant persons other than financial analysts, and any other persons are not, before the dissemination of investment research, 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 purpose other than verifying compliance with the Company's legal obligations, if the draft includes a recommendation or a target price.

## 6. Disclosure

- 6.1. Where a conflict arises and the Company identifies it, it will disclose the conflict to the Client before

undertaking to provide the investment or ancillary service in the context of which such conflict arises. In accordance with Article 18 of the Directive such disclosure will be made in a durable medium and shall include sufficient detail, taking into account the nature of the Client, to enable that client to take an informed decision with respect to the investment or ancillary service concerned. If the Company believes that such disclosure is not adequate to effectively manage the conflict, it may choose not to proceed with the provision of the investment or ancillary service in the context of which the conflict arises.

## 7. Monitor & Review

- 7.1 The Company will monitor on a regular basis the effectiveness of this Policy. In addition, Company will review the Policy at least annually. A review will also be carried out whenever a material change occurs that affects this Policy. The Company will notify its affected clients on any changes in its Policy.