

# VM Vita Markets Ltd

*(Regulated by the Cyprus Securities & Exchange Commission)*

## CONFLICTS OF INTEREST POLICY

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## Conflicts of Interest Policy

The primary objective of this section is to describe the Company's policy for (a) preventing/ deterring situations where a conflict of interest arises between the Company and the Client or between the Company's departments and (b) drawing attention to the prohibitions to trade under certain circumstances, so as to establish integrity of advice and serve the interest of all Clients with parity. It facilitates the identification and management of Conflicts of Interest. The present Policy is appropriate to the size and organisation of the Company and the nature, scale and complexity of its business.

Each employee is required to certify that he/she has read the IOM, by signing the Company's register. Any employee who fails to comply with the Company's Internal Operations Manual, the present Policy inclusive, may be subject to disciplinary action that may lead eventually to dismissal for cause.

### Disclosure of Interest

The Company shall disclose to Clients and potential Clients, prior to any engagement, all matters that involve ownership of investments or benefit of any kind or relationship that implies influence, that reasonably could be expected to interfere with its duty to Clients and potential Clients or its ability to make unbiased and objective recommendations. The same holds for all employees and Directors of the Company.

### Statutory Obligation

Section 17(3)(a) of Law 87(I)/2017 states that, Cyprus Investment Firms ("CIFs") must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its clients. Section 23 of Directive DI144-2007-01 as amended, sets the requirements for CIFs to produce, establish, implement and maintain an effective conflicts of interest policy, set out in writing.

The conflicts of interest policy established in accordance with the above legislation must include the following:

- i. It must 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 risk of damage to the interests of one or more clients;
- ii. It must specify procedures to be followed and measures to be adopted in order to

manage effectively such conflicts. Such measures aim to:

- (a) Prevent or control the exchange of information between relevant persons engaged in activities involving a risk of conflict of interest where the exchange of that information may harm the interests of one or more clients;
- (b) Ensure the separate supervision of relevant persons whose principal function involve the carrying out of activities on behalf of, or providing services to, clients whose interests may conflict, or

otherwise represent different interests that may conflict, including those of the Company;

- (c) Remove 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 the conflict of interest may arise in relation to those activities;
- (d) Ensure measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out Investment or Ancillary Services or Activities;
- (e) Ensure measures 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 process comprises of the following actions:

- Identification of conflicts of interest situations
- Management of conflicts of interest situations
- Disclosure of conflict of interest in cases such situations cannot be contained
- Establishing and updating records of identified conflict situations

## **Identification of Potential Conflicts of Interest Spectrum of operations**

The Company offers a wide spectrum of Investment and Ancillary Services, within and outside the European Union. Despite best efforts, some conflicts cannot be eradicated all together and in such cases, the Company has adopted a transparent and fair approach of disclosing such instances as soon as they become apparent.

## **Nature and Sources of potential conflicts of interest**

Conflicts of interest can be broken down into two categories:

- (a) Conflicts of interest between clients and the Management, employees, including persons directly or indirectly linked to the aforesaid by control, and
- (b) Between clients

themselves. The areas

affected include:

- Brokerage Department (Reception and transmission of orders in relation to one or more financial instruments and / or Execution);
- Portfolio Management;
- Investment Advice.

## **Potential conflicts of interest / The conflicts of interest table**

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, the Company shall need to take into account, by way of minimum criteria, the question of whether the Company or a relevant person, or a person directly or indirectly linked by control to the Company, finds itself in any of the following situations, whether as a result of providing investment or ancillary services or investment activities or otherwise:

- (a) the Company or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the Client (i.e. performance-related remuneration of employees);
- (b) 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;
- (c) the Company or that 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) the Company or that person carries on the same business as the Client;
- (e) 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 money, goods or services, other than the standard commission or fee for that service.
- (f) The Procedure for Analysing Information under this section of the IOM will be used, as applicable, for the identification of potential cases of conflict of interest and for forbidding transaction practices that are not in line with the Conflict of Interest Policy and measures.

Due to the multiplicity of operations of the Company, potential conflicts of interest are best analysed and mapped in the form of a Table (presented below). The conflicts of interest Table also contains possible remedies to each potentiality.

Source of potential Conflicts of Interest	Conflicts Identified and Measures Undertaken
<b>Reception, Transmission &amp; Execution of Client Orders (Brokerage)</b>	<p><b><u>Possible Conflicts Identified:</u></b></p> <ul style="list-style-type: none"> <li>• Use of information derived from Brokerage in relation to client orders for the benefit of other people and/or the Company (Front, Parallel or Contra Running)</li> <li>• Exertion of influence by Management and other relevant persons on order execution</li> <li>• Use or dissemination of confidential information</li> <li>• Acceptance of personal advantage</li> <li>• Preferential execution / transmission of particular orders</li> <li>• Personal trading by related entities (i.e. considering that the CIF's shareholders also maintain trading accounts with the CIF)</li> </ul> <p><b><u>Possible Measures:</u></b></p> <ul style="list-style-type: none"> <li>• Confidentiality and segregation of activity areas (Chinese Walls)</li> <li>• Straight Through Processing (STP) of client orders</li> <li>• Duty of compliance with the provisions of Market Abuse Directive (especially the parts related to Insider Dealing)</li> <li>• Prohibition against Front / Parallel Running</li> <li>• Time prioritization of equivalent client orders and First-in-first-out principle</li> <li>• Order Execution Policy ensures that the Company uses those market intermediaries and execution arrangements / venues which deliver the best possible result on a consistent basis</li> <li>• Establishment of appropriate Remuneration Policy</li> <li>• Head of Brokerage has to place orders for its own / related account with another Investment Firm (Personal Transactions Statements maintained)</li> <li>• Implementation of policies is monitored by compliance function and reviewed by the internal audit department</li> </ul>
<b>Portfolio Management</b>	<p><b><u>Possible Conflicts Identified:</u></b></p> <ul style="list-style-type: none"> <li>• Biased Portfolio Management due to self-interest</li> <li>• Unreasonable focus on certain categories or a specified range of financial instruments / products</li> <li>• Incentive for preferential allocation to clients who are frequent traders to generate commission income</li> <li>• Threat to the objectivity, independence of Portfolio Manager (i.e. strategic objectives or considerations covered by Portfolio Management exert an influence over Portfolio Management)</li> <li>• Certain related entities may receive preferential treatment</li> </ul> <p><b><u>Possible Measures:</u></b></p> <ul style="list-style-type: none"> <li>• Training events, review of commission/inducement structures</li> <li>• Establishment of appropriate Remuneration Policy</li> <li>• Transparent allocation principles-verification of compliance with the allocation principles</li> </ul>

<p><b>Investment Advice</b></p>	<p><b><u>Possible Conflicts Identified:</u></b></p> <ul style="list-style-type: none"> <li>• Biased investment advice due to self-interest in commission income from 3<sup>rd</sup> parties</li> <li>• Unreasonable focus on certain categories or a specified range of financial instruments / products</li> <li>• Possibility that Investment Advice could be jeopardised from information flow or by other existing circumstances (i.e. related entities involved)</li> <li>• Clients that are covered by Investment Advice may be major clients of the Brokerage Department</li> <li>• Threat to the objectivity, independence of Investment Advisor (i.e. strategic objectives or considerations covered by Investment Advice exert an influence over Advice)</li> <li>• Certain related entities may receive preferential treatment</li> </ul> <p><b><u>Possible Measures:</u></b></p> <ul style="list-style-type: none"> <li>• Training events, review of commission/inducement structures</li> <li>• No participation of Investment Advisor in sales pitches and/or definition of Wall-crossing situations</li> <li>• Segregation of the Brokerage Department from the Investment Advice Department (Chinese Walls)</li> <li>• Central Investment Advice database: any conflicts or potential conflicts of interest (such as relationship of any related person with any of the clients) are reported adequately and are adequately reflected in the disclosures attached to Advice reports</li> <li>• Assess a sufficiently large and diverse range of financial instruments / products and not limit the assessment to any specific category or range of financial instruments / products</li> <li>• Where the Company declares itself to be providing “Independent Advice”, MiFID II provisions are fulfilled</li> <li>• Duty of compliance with the provisions of Market Abuse Directive (especially the parts related to Insider Dealing)</li> <li>• Prohibition of trading prior the publication of Advice reports</li> <li>• Confidentiality with regard to time and content of Advice material before publication</li> <li>• Establishment of appropriate Remuneration Policy</li> </ul>
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## Limitations to Trading

For accounts (portfolios) under management, when the manager has a personal interest of any kind in a listed security, all suggested trades must be reported to the Compliance Officer for prior approval, with supporting reasons for the decision in order to ensure that such trades are conducted in the best interest of Clients. In case of outsourcing, the Company must ensure that the delegate maintains a record of personal trades (entered into by any Company employee or its Directors) and is able to provide this information to the Company promptly upon request.

In granting prior approvals, the Compliance Officer will ensure that only trades which do not conflict with the best interests of Clients, and that do not provide a benefit to the employee from any

anticipated trading on behalf of Clients, are approved. Prior to approval, the Compliance Officer will ensure that the proposed trade is available to all Clients on the same terms, and that the employee:

- Possesses no knowledge of a material fact or material change with respect to the issuer that has not been generally disclosed.
- Is not aware of any proposed trade by the Company relating to that security.

### **Limitations to Personal Trading**

Employees who have trading accounts are required to execute trades only through the Company. In case of trading accounts in which an employee is direct/ indirect beneficiary and the accounts are held outside the Company, the employee is required to declare his/ her holdings with the Company, and to update Company records as changes to such accounts take place. A record is kept of such a personal trade notified (by the employee) to the Company or identified by the Company, including any authorisation or prohibition in connection with this trade.

### **Insider Trading**

Any person with knowledge of a material fact, or material change, regarding a reporting issuer, which has not been generally disclosed, is prohibited from trading the issuer's securities with such knowledge, or of informing others of the material fact or change. Employees are expected to comply with these prohibitions.

### **Prohibited Activities**

Employees, officers and Directors are prohibited from engaging in the following activities:

- Violating securities Law;
- Using knowledge of portfolio transactions to profit from the market effect of such transactions (e.g. "front running" or similar activities); persons with access to information, concerning the investment program of an institutional investor or concerning the investment portfolio of a Client, shall not purchase or sell the same issuer's securities for personal benefit. The reason for this prohibition is to prevent the person from influencing the price of a particular security using information that is not publicly available;
- Using their status to obtain preferential treatment or investment opportunities not generally available to the public;
- Taking unfair advantage of his/ her position, knowledge or relationship with the Company and its Clients;
- Trading for personal gain using a Client account.

Other activities not specifically listed are prohibited if they would place an employee, officer or director in a position of conflict with the best interests of Clients. If there is uncertainty whether a particular activity may be prohibited, the Compliance Officer must be contacted.

## **Prevention of Conflicts of Interest: Chinese Walls**

The Company shall have in place Chinese Walls procedures, pursuant to which no communication of information and data between the various business units of the Company must take place. In particular, the necessary Chinese Walls shall be erected between the various organisational units of the Company, so that to prevent the flow of confidential information in a way that which adversely affects the interests of Clients.

- (a) In this respect, the following procedures and measures should be followed:
- (b) Organisational units that may give rise to Conflicts of Interest will be located separately (i.e. physical separation of organisational units);
- (c) No person shall replace another person in his/her duties without the prior consent of the CEO and the Compliance Officer. Such consent will be given by the Compliance Officer after all issues of possible conflict of interest have been reviewed;
- (d) The Compliance Officer shall ensure that the Executive Directors or other hierarchical officers do not exercise inappropriate influence over the way in which a relevant person carries out the provision of investment and ancillary services. This shall be verified by frequent personal interviews with all Heads of the Departments;
- (e) The Compliance Officer shall be responsible for maintaining such Chinese Walls, by means of regular checks and will be monitored by the Company's Internal Auditor;
- (f) Pursuant to the above, the following actions, measures and procedures will be implemented, as applicable:
  - i. Control by the Compliance Officer of interdepartmental communications;
  - ii. Review of employee trading through effective maintenance of some combination of "watch", "restricted", and "rumour" lists without violating Client privacy and the protection of personal data as per relevant Act;
  - iii. Heightened review or restriction of proprietary trading while the firm is in possession of material non-public information (if the Company is licensed for such activity);
  - iv. Careful monitoring of personal employee trading;
  - v. Material non-public information will be confined only to persons who have a need to know that information in order to carry out their responsibilities;
  - vi. In such a case a stock watch will be created and the Compliance Officer will monitor all transactions related to these securities;
  - vii. Any person in the Company that receives information that is known or reasonably believed to be material non-public information will communicate such information to the Compliance Officer without discussing the information with co-workers. The recipient will refrain from trading on the information or from discussing the information inside or outside the firm until the Compliance Officer decides that the information is



- either not material or has been made public. Also the same procedures will be followed to safeguard information received in a special or confidential relationship;
- viii. The Compliance Officer will regularly review Client accounts and investigate patterns of heavy trading in particular securities by any employee or firm member. Employees and firm members are required to make quarterly reports of their transactions or transactions performed on behalf of members of their families;
  - ix. All research used for deciding on a specific investment should be kept so that the Company will be able to track ex-post why an investment was made and how the information was used and interpreted;
  - x. No direct link should exist 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;
  - xi. If the adoption or the practice of one or more of the above measures and procedures does not ensure the necessary degree of independence, the Company may have to adopt alternative or additional measures and procedures where deemed necessary and appropriate.

### **Placing of Orders**

Employees must strictly adhere to the internal procedures when placing an order. All trades must be placed through the Company's dedicated, and authorised by management, systems. All orders must be taken through specific communication channels.

### **Restriction on Credit**

Brokers are not allowed to accept orders if the Client has not deposited the necessary funds into the Client's bank account at the time of placing the order. Limited credit is allowed provided the broker has already placed cash collateral with the Company. Only the CEO can waive this requirement in exceptional cases.

### **No Investment Advice**

Brokers are not allowed to offer any investment advice to Clients or offer discretionary management of portfolios. They can only receive and execute orders from Clients. Clients who wish to have discretionary management service or receive investment advice need to be referred to the Asset Management Department.

### **Joint Accounts/ Power of Attorney**

Employees may not open a joint account with a Client or accept an appointment under a power of attorney or accept an Executorship, Trusteeship or any other Fiduciary appointment from a Client unless the Client is an immediate family member, or the prior consent of the CEO has been obtained.

### **Review of Reported Trades**

The Compliance Officer is responsible for reviewing, on a regular basis, all trades by employees, in order to ensure compliance with the Company's own Corporate Policy and the prevailing rules and regulations.

### **Protection of Privacy**

The Company is mandated to explore and to develop business opportunities. In discharging this mandate, employees must ensure that Client's interests are not prejudiced and that written Client consents, to the transmission and sharing of information, are obtained and kept on file.

### **Confidentiality and Protection of Information**

Employees must not pass on, or talk to anyone about information related to their Clients' activities or plans that is not public or has not been publicly disclosed. Information is only shared to the extent necessary to carry out the responsibilities for the Client. Each department must ensure the protection of confidential documents and data within its control. Soft data files held on computers must also be protected through the use of passwords and encryption software.

Employees must keep confidential any passwords or security codes entrusted to them. Only Company approved software may be used on Company-owned computers. This will decrease the risk of computer viruses that could destroy the Company's software and databases. Employees must make regular back-ups of their work. Employees must not access any sites not relevant to their job on a Company's computer. Nor they must use the e-mail facility for other than Company related purposes. A modest amount of personal e-mail will be permitted but only if it is short and necessary. Employees may not alter, access, divert or redirect computer-based information for any purpose other than to perform their assigned job responsibilities.

- Restricting access from areas where confidential information is stored;
- Shredding of confidential documents;
- Physical protection of confidential files.

### **Restrictions on Flow of Information**

The Investment Advisory Department should not offer recommendations or information related to its Clients to either the Brokerage or Asset Management Departments. Any investment proposals related to its Clients are referred directly to the Investment Committee. If the Investment Advisory tasks and the Asset Management tasks are performed by the same employee, then this employee should make sure that Client information remains confidential and not used for the benefit of other Clients. Safeguards separating the Investment Advisory Department and the Asset Management Department include:

- Separate Client hard file cabinets (one for Investment Advisory and one for Asset Management);
- Soft copies of Clients' files are also separated and password protected differently;
- E-mails and other forms of communication/correspondence are also separated and encrypted differently.

### **Independence and Objectivity of Research Reports**

Analysts are required to disclose any investment holdings or interest of any kind either direct or indirect to the Compliance Officer. In performing their duties they are required to:

- Use reasonable judgment regarding the inclusion/ exclusion of relevant factors in research reports;
- Distinguish facts from opinions;
- Act independently of the other Company Departments.

### **Engagement of External Advisor**

In order to exercise statutory standard of care as an Advisor/ Discretionary Manager, Stone Edge Capital Ltd requires of each external advisor to:

- Act honestly, in good faith and in the best interest of Clients, and exercise the care, diligence and skill of a prudent person;
- Comply with all applicable Laws;
- Place the interests of Clients, ahead of personal interests.

### **Types of personal transactions which are exempted from the above provisions:**

- 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;
- Personal transactions in units in collective undertakings that comply with the conditions necessary to enjoy the rights conferred by the Open-Ended Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law or 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.

### **Procedures & Controls for the Identification, and Management of Conflicts of Interest**

All relevant persons of the Company shall become aware of this Policy and the Compliance Officer shall ensure that the relevant employees will have the ability and knowledge to identify such cases of conflict of interests.

- (a) The Compliance Officer will, at least once a year, verify that all employees (including newcomers) are aware of the above.
- (b) The relevant persons of the Company, when faced with a possible conflict of interest situation as indicated in the above, will immediately contact the Compliance Officer and notify him of the fact.
- (c) Given the nature of the conflict of interest situation, the Compliance Officer shall decide whether to allow the transaction by notifying the Client, or not allow the transaction all together.
- (d) Disclosure and Management of Conflicts of Interest:
  - i. If a potential Conflict of Interest has been identified and cannot be avoided, before the Company provides any services, the Company shall need to disclose to the Client or

- potential Client the general nature and any Conflicts of Interest potentially present;
- ii. This shall be made in a durable medium and include sufficient detail, taking into account the nature and profile of the Client, to enable the Client to take an informed decision with respect to the investment or ancillary service in the context of which the conflict of interest arises. The Compliance Officer shall have the responsibility to make/oversee such communication. Following such communication the consent of the Client shall need to be obtained and recorded before proceeding with the provision of the service.
- (e) Recording of instances where there is a risk of Conflicts of Interest: The Compliance Officer shall have the responsibility to keep and regularly update a record of the kinds of investment service or activity carried out by the Company in which a conflict of interest entailing a material 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, including any actions taken, as well as any consents given.

## Procedure for Analysing Information

The following decision tree provides an illustration assisting employees whether or not to proceed with the Client trade order

