# CONFLICTS OF INTERESTS POLICY

# FOR

# PELICAN EXCHANGE EUROPE (CY) LTD

## Revision History

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| **Policy Owner** | Pelican Exchange Europe (CY) Ltd |
| **Policy Approver** | Pelican Board of Directors |

# A. CONFLICTS OF INTEREST POLICY

## Purpose

The purpose of this Policy is to specify the procedures put in place by Pelican Exchange Europe CY Ltd (hereafter the “Company”, “Pelican”, “we”, “us”, “our”), for identifying and responsibly managing and controlling and, where necessary, disclosing the conflicts of interests arising in relation to its business and to reduce the risk of client disadvantage and reduce the risk of legal liability, regulatory censure or damage to Company’s commercial interests and reputation and to ensure that it complies with legislative requirements and the departmental and general procedures which are set by its Internal Procedures Manual.

## Legal Framework

The Company is operating under 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 (the “Markets in Financial Instruments Directive 2014/65/EU)” or “MiFID II”) and amending Directive 2002/92/EC and Directive 2011/61/EU, as last amended by Directive (EU) 2016/1034 of the European Parliament and of the Council, of 23 June 2016 and under Regulation (EU) No 600/2014 of the European Parliament and the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (the “MiFIR”).

‘Article 34’ of MiFID II states Article 34 of the MiFID II Delegated Regulation says that firms must ensure that disclosure to clients of conflicts is a measure of last resort that can be used only where the organizational and administrative arrangements established by the firm to prevent or manage its conflicts of interest are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented.

In this respect, CIFs must establish adequate policies and procedures sufficient to ensure compliance, including its managers, employees, tied agents and other relevant person(s), with its obligations pursuant to the Law and the directives issued pursuant to this Law, as well as appropriate rules governing personal transactions by such persons.

## Policy

All employees of the Company must on commencement of their employment read and fully understand the Policy. All employees of the Company are obliged to register their acceptance of having read and understood the Policy in a register, which is to be filed and managed by the Chief Executive Officer of the Company. Any employee that suspects any conflict of interest must immediately inform the Chief Executive Officer who will determine if any conflict does exist or has the potential to arise and will state the reasoning for their findings in a file kept in storage for referral to the Commission should such need arise.

In particular, the Company defines a conflict of interest as any situation where either the Company or an individual is in a position to exploit a professional or official capacity in some way for either corporate or personal benefit.

## Situations where conflicts of interest can occur include the following:

**a.** The Company or a relevant person, or a person directly or indirectly linked by control to the Company, is likely to make a financial gain or avoid a financial loss, at the expense of the client.

**b.** The Company or a relevant person, or a person directly or indirectly linked by control to the Company, has an interest in the outcome of a service provided to the client, or of the transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome.

**c.** The Company or a relevant person, or a person directly or indirectly linked by control to the Company, has a financial or other incentive to favor the interest of another client or group of clients over the interests of the client.

**d.** The Company or a relevant person, or a person directly or indirectly linked by control to the Company, carries on the same business as the client.

**e.** The Company or a relevant person, or a person directly or indirectly linked by control to the Company, 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.

## Relevant person in relation to the Company means any of the following persons:

**a)** a member of the board of directors, partner or equivalent, manager or any tied agent of the

Company;

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

**c)** a natural person who is directly involved in the provision of services to the Company or to its tied agent under an outsourcing arrangement for the purpose of the provision by the Company of investment services or/and the performance of investment activities;

The affected parties if conflict of interest arises can be the Company, its employees or its clients. More specifically, a conflict of interest may arise, between the following parties:

- **a.** Between the client and the Company.
- **b.** Between two clients of the Company.
- **c.** Between the Company and its employees.
- **d.** Between a client of the Company and an employee/manager of the Company.
- **e.** Between Company's Departments.

## Conflicts of interest can occur in a number of situations, for example:

- The Company is likely to sustain an overall financial loss or avoid a financial loss, by executing a client's specific order.
- The Company is likely to sustain an overall financial gain by not executing a client's specific order.
- The market moves to a direction of a point/timing when by executing client's order will result in a financial loss for the Company.

## Potential 'Conflicts of Interest' that may arise in providing portfolio management

Where the Company is providing the service of discretionary, individual management of investment portfolios, Clients delegate asset management to one of the Company's a portfolio managers and with it the decision to buy or sell individual financial instruments. The Company, through its portfolio managers, decides whether to buy or sell assets on the basis of investment guidelines agreed with the Client, but it does not obtain Client approval each time.

In these cases, ‘Conflicts of Interest’ could arise in the following instances:

• In the event of the purchase or sale of financial instruments on behalf of Clients in illiquid or non-transparent markets; in some instances, this could result in a large profit for the Company or for another Client.

• The fee received by the Company’s employees providing portfolio or asset management services may be based on the performance of the Client's portfolio they are managing; in this instance, there may be an implicit incentive related to the increase in performance, which could lead to situations where managers, at the time of providing the service, do not take into account the risks inherent in their investment decisions, leading to action that is contrary to the interests of a Client or group of Clients;

• The Company is the discretionary portfolio manager for more than one Client – in particular in respect of issues related to allocation.

As such arrangements may exacerbate existing ‘Conflicts of Interest’, the Company, in order to counter the associated risks, has introduced appropriate procedures as in particular by an investment selection process based on each individual Client profile.

Furthermore, all inducements received within the scope of a portfolio management related Client relationship are passed through to the Company’s Clients.

Performance-related pay is another area where there is a potential ‘Conflict of Interest’ where the Company is providing the service of discretionary, individual management of investment portfolios. Here, it is impossible to exclude the possibility that a portfolio manager may take disproportionate risks in order to maximize his/her performance-related pay.

Measures to reduce this risk include the internal monitoring of investment decisions by staff and combining performance-related pay and fixed remuneration, as set forth in the Company’s ‘Remuneration Policy’

## Personal Transactions of Employees

All employees of the Company that are involved in activities that the Company is authorized to provide must be aware of the restrictions on personal transactions detailed below. This section also includes personal transactions which may be performed by persons who are employed by companies which perform an outsourced activity to the Company, if any. If any prohibited personal transactions are entered into, the Company must be notified promptly.

Employees of the Company that are involved in the provision of investment services or other activities must not enter into the personal transactions that which will cause the following:

- enter into a transaction prohibited under section 9 of the Insider Dealing and Market Manipulation (Market Abuse) Law,
- misuse or cause improper disclosure of confidential information,
- enter in a transaction that is likely to conflict with any obligations of the Company, or the employee, that are stated under the law.

Where the employee has come into contact with information which is not publicly available to clients or cannot readily be inferred from information that is so available, the employees must not act or undertake personal transactions or trade in the execution of an unsolicited client order, on behalf of any other person, including the Company.

The employees must not disclose any opinion other than in the normal course of business, if the person who is given the opinion is likely to enter into a transaction which is contrary to the above. The employee also should not provide an advice or provide to anyone any information, other than in the proper course of his/her employment, especially if it is clear that the person who is receiving such information will advise another party who might acquire or dispose of financial instruments to which that information relates.

Any client's orders that have been relayed to any employees of the Company must not be disclosed to another party. An employee of the Company who has knowledge of a potential client's order must not carry out a personal transaction that is the same as the client order, if this will cause a conflict of interest.

## Reporting Conflicts of Interest

In the case of identification of a possible conflict of interest, a staff member must refer it initially to his immediate supervisor to assist in the assessment of a material risk of damage and send a completed Conflict of Interest Notification Form together with full details to allow regulatory scrutiny, of:

- corrective and preventive actions;
- how these actions were considered appropriate;
- any conditions imposed; and
- whether there are still ongoing conflicts, how these are being managed and advised to the client;

to the Head of Compliance for inclusion within the reports reviewed by the Board of Directors.

## Management of Conflicts of Interest

*a. Independence*

The following measures have been adopted by the Company for ensuring the requisite degree of independence:

- Measures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest (i.e. by establishing Chinese walls)
- Separate supervision of 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 Company.

The Company's department whose interests may conflict with clients are:

Reception and Transmission of Orders Department

- Removal of any direct link between the remuneration of relevant persons principally engaged with 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:
  i. Reception and Transmission of Orders employees do not relate their remuneration with clients' performance.
- 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. Additionally, the person who decides or influences an individual's bonus may exert undue influence over that individual's integrity of judgment.
- Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities such as reception and transmission of clients' orders and tasks such as portfolio decision making and calculating performance.

*b. Disclosure of conflict of interest*

When the measures taken by the Company to manage conflicts of interest are not sufficient to ensure, with reasonable confidence that risks of damage to clients' interest will be prevented, the Company proceeds with the disclosure of conflicts of interest to the client. Prior to carry out a transaction or provide an investment or an ancillary service to a client, the Company must disclose any actual or potential conflict of interest to the client. The disclosure will be made in sufficient time and in a durable mean and shall include sufficient detail, taking into account the nature of the client, to enable him to take an informed decision with respect to the investment or ancillary service in the context of which the conflict of interest arises.

Clients will be given the opportunity to decide on whether or not to continue their relationship with us with no unreasonable obstacles.

*c. Record keeping*

The Company keeps and regularly updates a record of the kinds of investment and ancillary service or investment activity carried out by or on behalf of 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. The following documentation shall be maintained for a minimum period of five years:

- this policy, any functional variations if applicable
- the Conflicts Log and the Conflicts Identification and Management Map;
- rules, procedures and processes;
- training material and training records;
- Conflicts of Interest Notification Forms;
- details of any review work carried out (including any decisions made on conflicts management); and
- any other documentation used to demonstrate the management of conflicts of interest.

*d. Responsibilities*

The Company's *Chief Executive Officer* is responsible for clearly allocating responsibility and delegating authority to accountable individuals to ensure that those involved are aware of their involvement and that the Conflict Officer has a sufficient level of authority and independence in order to carry out their responsibilities effectively.

The Company's *Senior Management* is required to:

fully engage in the implementation of policies, procedures and arrangements for the identification, management and ongoing monitoring of conflicts of interest; adopt a holistic view to ensure the identification of potential and emerging conflicts within and across business lines and to ensure that informed judgments are made with respect to materiality; raise awareness and ensure compliance of relevant individuals by ensuring: regular training (including to contractors and third party service providers' staff) both at induction and in the form of refresher training; the clear communication of policies, procedures and expectations; that awareness of conflicts procedures forms part of the performance review/appraisal process, and that the best practice is shared throughout the Company.

- sponsor robust systems and controls and effective regular reviews to ensure that strategies and controls used to manage and mitigate risks remain appropriate and effective and that appropriate warnings and disclosures are issued to clients where necessary;
- utilize management information to remain sufficiently up-to-date and informed; and
- support an independent review of the processes and procedures in place.

Individuals are required to identify new conflicts of interest arising out of the activities/services that they perform and engage in the process to notify line management upon identifying any potential conflict.

The Company's ***Conflicts Officer*** is the Head of Compliance who is responsible for the day to day management of the implementation of this policy. In particular, he/she, or his/her delegate, is responsible for:

- Establish effective procedures to prevent or control the exchange of information between relevant persons engaged in activities
- establishing the policy in relation to conflicts of interest;
- providing training oversight and aid;
- monitoring compliance with arrangements;
- the oversight of conflicts management;
- maintaining records in relation to conflicts of interest;
- reviewing and challenging the Conflicts Identification and Management Map; and
- providing appropriate internal reporting to the Board of Directors.

Conflicts Deadlock

Where line management cannot resolve a conflict to the satisfaction of all parties, the Head of Compliance will, as the Approved Person with responsibility for Compliance and Risk, have the final say.

## Compliance with and supervision of the Conflicts of Interest Policies

The Compliance Officer will ensure by means of regular checks and inspections that the above-mentioned procedures and controls are being followed. Furthermore, the Internal Auditor is responsible for monitoring and supervising all the procedures and controls regarding the Company's conflict of interest policy, at least once a year.

- All employees are responsible for complying with this policy and the senior management is responsible for ensuring that the system and controls put in place meet the requirements imposed by the applicable regulations.

- The Compliance Officer will periodically review the contents of this policy and whether it fulfils the regulatory requirements as well as the effectiveness of the steps taken within the framework of managing the conflicts of interest identified.

- 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 as applicable

- Maintenance and regular update of a record of the kinds of investment or ancillary service or investment activity carried out by or on behalf of the CIF 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

## Review and Amendment

The company also constantly reviews its conflicts of interest policy so that it can ensure its suitability and its efficiency regarding the protection of the company's and client's interests. All practices, part of this policy, contribute to the required integrity, equality and transparency standards of the company. If the adoption or the practice of one or more of those measures and procedures does not ensure the requisite degree of independence, alternative or additional measures and procedures as are necessary and appropriate for this purpose are adopted.