



MeritKapital

CONFLICTS OF INTEREST

Policy Governance	
Policy Owner	Compliance
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The terms 'MeritKapital, MK, the Firm and the Company' refer to MeritKapital Limited registered at Eftapaton Court, Arch. Makarios III Avenue 256, 2nd Floor, Limassol 3105, Cyprus, registration number 189316, authorised and regulated by the Cyprus Securities and Exchange Commission. MeritKapital is a mid-sized firm, which operates as a licensed Cyprus Investment Firm (CIF), offering the below services:

- Brokerage
- Portfolio Management
- Underwriting
- Dealing on own account
- Custody and Settlement
- Investment Advice
- Depositary Services

MeritKapital, its managers, employees and appointed representatives or any person directly or indirectly linked to them by control firm are to strictly abide by laws and fulfil the firm's obligations under Investment Services and Activities and Regulated Markets Law (Law 144(I)/2007) and Directive DI144-2007-01 issued by the Cyprus Securities and Exchange Commission (the CySEC).

MeritKapital will comply with the Markets in Financial Instruments Directive 2014/65/EU of 15 May 2014 ("MIFID II") and have a system in place to identify, prevent and manage conflicts.

1. Policy Statement

MeritKapital Limited is required to maintain and operate an effective system to oncoming risks and preventing conflicts of interest. The Company through arrangements will manage conflicts of interest which arise or may arise in the course of providing a service to clients and counterparties ('clients').

This policy will set out how MeritKapital aim to manage any existing and potential conflicts. MeritKapital aim to minimize conflicts by matching its interests with the interest of its clients. The policy is not intended to, and does not, create third party rights or duties that would not otherwise exist had the policy not been made available, nor does it form part of an agreement between MeritKapital and the client.

2. Scope and Purpose

The objective of this policy is to specify the circumstances where MeritKapital should identify potential conflict of interests. It will provide a description of its systems that are in place to control, prevent and manage conflicts of interest.

The policy specifies the requirement for MeritKapital to have in place appropriate procedures and measures in order to identify and manage any such material conflict of interest. In addition, MeritKapital will comply with the following principles:

- i) Conduct its business with integrity;
- ii) Take reasonable care to organise and control its affairs responsibly and effectively.
- iii) It should pay due regard to the interests of its customers and treat them fairly.
- iv) Manage conflicts of interest fairly, both between the Company and its customers, and between one customer and another client.

3. Conflict of Interest

According to Article 34 of the MiFID II Delegated Regulation (the "Directive") a conflict of interest may arise where the Company or an employee who, owing a duty to a client or a counterparty, may have personal or

professional interests which compete with this duty and may entail a risk of material damage to client’s interests. A situation may be a conflict of interest even if no improper act or disadvantage to the client arises from it.

In other words, a conflict of interest is a problem that occurs when a Company has or have to deal with multiple objectives, that create conflict for the involved parties. As a result, it may lead the company to conceal information or provide misleading information.

MeritKapital may find occasions where the interests of one client may conflict with:

- i. the interests of MeritKapital;
- ii. MeritKapital’s employees; and
- iii. those of another client.

4. Types of conflicts

To identify the types of conflict of interest that have or may arise, in the course of providing services, MeritKapital should as a minimum consider whether a person directly or indirectly linked by control:

- is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- 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;
- has financial or other incentives to favour the interest of another client or group of clients over the interests of the client;
- carries on the same business as the client; or
- receives or will receive from another person other than the client an inducement with a service i.e. in the form of monies, goods or services or other than the standard commission.

Material Conflict	Nature of conflict and measures
Personal Account Dealing	<p>The risk arising is that employees who are party to privileged information concerning investments with which MeritKapital deals may trade on information which is unknown to the client for personal gain.</p> <p>MeritKapital has a restricted investor list to counter this and a policy whereby employees are only able to invest after the investment has been made available to the general public. Additionally, all personal investments must be approved by managers before taking place through full disclosure of all personal security accounts detailing any ongoing transaction logs for compliance to review.</p>
Gifts	<p>MeritKapital’s Gift and entertainment policy (GE policy) intends to mitigate the risk of gift or entertainment-related activity that may materially influence a recommendation provided to a client.</p> <p>As such, all gifts and entertainment activity to clients that surpass MeritKapital’s monetary limit must be signed off by compliance.</p> <p>The GE policy and its register is complementary to this policy.</p>

Remuneration	<p>The remuneration policy may encourage employee to take advantage of their earnings from a potential transaction rather than the best interests of the client or MeritKapital. All employees are aware of their obligations to act in the clients best regardless of personal benefit.</p> <p>All MeritKapital employees receive a fixed monthly salary that is not dependent upon the daily activities they perform. Changes in MeritKapital employees' salaries are subject to annual company review, in accordance with the employees' overall performance. The Remuneration terms are disclosed in the Remuneration Policy of the Company.</p>
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5. Examples of Conflicts

A conflict of interest may be present even if no unethical or improper act occurs. One way to understand it is to use the term conflict of roles. A person with two roles, for example an individual who is involved in compliance and sales.

Compliance function is to provide checks and balances to ensure that entity conducts its activities in accordance with legal and regulatory requirements. To do this, appropriate independence is required. In the instance of being part of the sales, a client-facing role, an employee's responsibilities as a compliance officer may conflict with their interests as a salesperson. For example, there may be temptation to allow exceptions to the usual procedure rather than jeopardising a good client relationship.

In accordance with Article 23(1) of the Directive, MeritKapital will take all appropriate steps to identify conflicts of interest between:

- MeritKapital and its employees
- MeritKapital and its clients
- MeritKapital and its affiliates
- A client and another client

MeritKapital engages in a number of activities where the interest of the clients may be compromised in regard to these activities:

- Trading on behalf of clients;
- Trading on own account; or
- Providing investment advice.

This section is not, and is not intended to be, a complete explanation of all the potential conflict of interest that may arise. The following is a list of examples of situations where a conflict of interest may arise.

a. MeritKapital v Client Conflicts

- Where MeritKapital trades its proprietary positions in a security when at the same time it has information about ongoing or future transactions concerning the client and the security.
- Where an employee of MeritKapital engages in personal account dealing in respect of securities and MeritKapital has a client with an interest that potentially conflicts with such dealing;

- Where MeritKapital gains information about distressed assets and then trades proprietary positions in those assets;
- Where gifts and inducements are received by MeritKapital or its employees that may influence behaviour in a way that conflicts with the interests of the clients of MeritKapital;
- With respect to the investment advice service, where MeritKapital:
 - provides misleading information on an instrument which will affect a client's investment decision, with the ultimate goal to increase the trading flow
 - advises the client to buy the instrument classified as "stale" as per trading book policy
- Concerning prime brokerage, where MeritKapital gains information about securities and then the proprietary unit engages in securities lending kept on the client's account and trades accordingly on the market to capitalise on forecasted price movements; i.e. negative news gained by MeritKapital on a stock trigger respective security borrowing by the proprietary desk which then sells the borrowed stock to then buy it back less expensively before it returns to the clients account without their authorisation
- With respect to proprietary trading:
 - Where MeritKapital wants to buy an instrument that a client also wants to buy, the client's order will always come first. This is applied to both – primary and secondary markets
 - The traders will anticipate client orders and buy onto MeritKapital's books to sell to clients. An alternative option is that MeritKapital will switch into a broker capacity and will acquire the security from the market and buy for the client.

b. Client v Client Conflicts

- Where MeritKapital provides advisory and financial services to one client in respect of a bid and seeks to provide financing services to another client in respect of the same bid;
- Where MeritKapital provides corporate finance advice in relation to the same target to clients who are direct competitors of one another;
- Where multiple clients are interested in acquiring the same underlying security and MeritKapital may need to choose between which clients may receive the product
- Where multiple clients are charged different fees for the same underlying investment strategy which may result in MeritKapital's deviation from its fiduciary responsibilities
- Where the Company may provide advice to clients whose interests may be in conflict or competition with other clients' interests;
- Where MeritKapital is a discretionary portfolio manager for more than one client or fund, in particular in respect of issues relating to allocation.

c. MeritKapital and its employees

- Utilising business resources for example, facilities or office equipment for personal gain is a conflict of interest. Using a held position or influence to assist or promote an outside activity is also considered a business resource conflict of interest.
- Gifts and hospitality from other counterparties, clients and competitors can represent a conflict of interest. Particularly, when a decision is being made in relation to the party that

has given the gift

- Hiring, promoting or supervising close friends or family members could result in a conflict of interest for the business i.e. HR hired his son as a contractor to provide service rather than an alternative skilled working suited to the role and MeritKapital's needs
- Employees undertaking personal transaction without information MeritKapital and using knowledge gained from their held position at the Company.
- Ensure that employees keep all matters confidential by not disclosing information or using information inappropriately i.e. reveals it to competitors or uses it for a business of their own

d. MeritKapital and its affiliates

MeritKapital is managing any potential conflict with MeritKapital UK by fully segregating their clients between the offices. In its interactions with affiliated companies, MeritKapital employees are required to abide by the rules and regulations in this policy.

- Utilising business resources for example, facilities or office equipment for personal gain is a conflict of interest. Using a held position or influence to assist or promote an outside activity is also considered a business resource conflict of interest.
- When assessing conflicts of interests, MK must consider conflicts which arise between a person directly or indirectly linked by control to MK, and the duty MK owes to its clients
- Each affiliate as a separate entity, will be seeking to increase their own revenue and a conflict could arise where both MeritKapital and MeritKapital UK want to act for a common client concerning an attractive trade.

MeritKapital may not be acting in the best interest of the client and only in its own interest by using its own affiliates to act as a custodian for counterparties or clients.

6. Procedures

MeritKapital, has in place appropriate procedures and measures to identify and manage any such material conflict of interest. It will comply with the following:

- i) the principles set out in section 2 above
- ii) the most appropriate response to manage conflicts of interest fairly between:
 - MeritKapital and its clients
 - and between one client and another client.

MeritKapital has put in place appropriate steps to identify and manage conflicts. The steps are to:

- identify and manage conflicts of interest;
- refer to the conflict of interest policy for guidance;
- disclose a conflict of interest, as a means of last resort; and
- keep a record.

7. Managing conflicts of interest

Where a conflict of interest has been identified, MK follows certain procedures and measures to ensure that the firm satisfies the necessary degree of independence when managing potential conflicts of interest. These procedures and measures include the following:

- Preventing or controlling the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients; separate supervision of relevant persons whose principal functions involve carrying out such 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 MeritKapital
- 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 may arise in relation to those activities
- 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 and/or activities
- 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
- segregation of duties that could give rise to conflicts if carried out by the same individual
- to monitor and report on all compliance procedures above to the Board of Directors
- establishment of a “four-eyes principle” in relation to the supervision of the firm’s activities
- where necessary, relevant persons are subject to personal account transaction rules;
- measures to prevent or limit any person from exercising inappropriate influence;

Some of the policies and procedures established to prevent Conflicts of Interests are shown below:

- The Confidentiality Policy governing the dissemination of confidential or inside information within MeritKapital, and between MeritKapital and its affiliates
- Chinese walls restricting the flow of confidential and inside information within MeritKapital and between MeritKapital and its affiliates and physical separation of departments
- Privacy Policy governing access to electronic data
- Personal Account Dealing Policy setting out personal account dealing requirements applicable to relevant persons in relation to their own investments and/or that any personal dealing must be approved by Compliance
- Code of ethics Policy managing the registration of the solicitation, offer or receipt of certain benefits and to limit the giving or receiving of inducements.
- Remuneration Policy governing the Company’s remuneration is in line with the business strategy and a consistent approach is taken to attract, develop, retain and reward employees for contributing to MeritKapital’s success, whilst maintaining financial stability and robust and effective risk management.

If a conflict of interest emerges between clients, MeritKapital will not disclose the details of a client to another client to prevent a breach of confidentiality. Where MeritKapital believes that a conflict cannot be managed in light of the arrangements currently implemented or by the introduction of new measures, MeritKapital shall refuse to act on behalf of the client.

MeritKapital K may from time to time conflict with its affiliate companies i.e. MeritKapital UK Limited, Meritservus and DI Ross & Co. MeritKapital UK Limited and MeritKapital Limited as both are investment firms and as such conflicts of interest that may arise include.

To manage a conflict between affiliates companies, MeritKapital Limited has several policies and procedure in place to control, manage reduce the risk of conflict occurring. These include policies relating to the monitoring of trade execution. The most important consideration when dealing with an affiliate, is for MK to ensure that the client or counterparty is not at a disadvantage.

In a position where conflict is inevitable, pre-approval is required from the head of the operational department and, in some circumstances, approval may not be given. If approval is granted, MeritKapital's risk management committee may recommend additional controls to manage the potential conflict.

In addition, directors of MeritKapital K will be required to declare any conflicts of interest in accordance with their directors' duties. There is also a physical barrier between both MeritKapital UK Limited and MeritKapital Limited acting as a Chinese Wall. This prevents any confidential information and fully segregates the clients between each company.

In cases where any conflict arises between the companies and where the best course of action cannot be agreed, it would be for the best that neither company acts in that particular situation or transaction. Alternatively, the companies could:

- Appoint non-executive directors to the board to arrange a mutual written agreement between both companies. This will avoid the common directors from breaching their legal responsibility to each company.
- Hold sperate board meetings for each company on different days for the best interest of each company to be taken in consideration. Document and minute board decisions.

Ensure that intra-companies' transaction are at arm's length where possible. If it a conflict concerning a trade, MeritKapital UK limited will be acting in the capacity of a client to MeritKapital and so MeritKapital will act in the best of the client, of MeritKapital UK Limited.

8. Chinese Walls

Where there is a material conflict of interest, a Chinese Wall is in place within MeritKapital to restrict information flows between different areas of MeritKapital.

A Chinese Wall is an arrangement where confidential information (such as information relating to strategy or trade secrets) is not shared between two departments in an organisation or to outside persons. This is to prevent commercially sensitive or confidential information that may cause a conflict of interest from being made known. This is achieved by:

- a physical barrier restricting the flow of information between employees, which is monitored and enforced;
- Restricted access to documents and information, including electronic documents;
- Where documents and papers relating to conflict information needs to be destroyed, they must be shredded and properly disposed after 5 years
- Before any conflicting information is disclosed to another department, approval must be obtained from the compliance officer.
- Prohibition and restriction of certain communications between employees;
- A written policy and procedure statement, communicated and acknowledged by employees, and disciplinary measures for breach of the policies and procedures;
- Acknowledgement by employees of receipt of policies, attendance at training concerning Chinese Walls and the management of conflicts of interest; and

Separate management and supervision of employees on different sides of the Chinese Wall. There shall be Chinese Walls between the following teams:

- Brokerage and Portfolio Management

- Brokerage and Proprietary trading
- Proprietary trading and Portfolio Management
- Proprietary trading and Investment Advice
- Custody/Safekeeping and the front office team

Whereby an employee becomes aware of information following the failure of a Chinese Wall or any other reason, which could give rise to a conflict of interest, the matter must be referred to the compliance officer.

For the Brokerage business, the trading system is protected so that the transaction log is not accessible to other departments. Similarly, all transactions are cross-checked with orders that are received to ensure that no supplementary transaction flow was affected to benefit from any price manipulation mechanisms.

Chinese Walls and other measures are put in place to enable MeritKapital and relevant persons to carry out business on behalf of clients without being influenced by other information held within MeritKapital that may give rise to a potential conflict. Management of MeritKapital shall monitor the communication content between the departments to ensure that the necessary Chinese Walls are maintained.

Each department of MeritKapital is separate and distinct. In consideration of the size and organisation of MeritKapital and the complexity of its business, the following Chinese Walls are in place in respect of each department:

a. Portfolio Management

The Portfolio Manager of MeritKapital is responsible for structuring, monitoring, rebalancing and reporting on clients' portfolios. The Investment Adviser maintains the investment profile of the client with the changing market conditions and thereafter reiterates the picture to the Portfolio Manager so that the changes are reflected in the rebalancing of the portfolio. As the Portfolio Manager is directly linked to making financial instrument transactions, the separation of contact between this unit and the client makes it less difficult to facilitate a transaction which could be a breach of a conflicts of interest e.g. if the client is involved in an M&A transaction and the portfolio manager wishes to benefit from it after conversing with the client.

As MeritKapital's Portfolio manager is also the General manager, there may be a conflict of interest based on the client information that the Manager is privileged to. As part of our ongoing monitoring, the compliance department has in place the following measures to mitigate this conflict;

- The portfolio manager reports all portfolio management transactions to the Compliance officer each day;
- The Compliance officer reconciles all trades conducted on all desks daily.

b. Investment Advice

The Investment Adviser maintains the relationship with the client and ensures that the 'Know your client' (KYC) process has been completed, including the Conflicts of Interest Checklist, in order to understand the background and business dealings of the client. The completion of the KYC process will enable the Investment Adviser to more easily recognise conflicts of interest if they were to arise. This unit operates with password protected software so that other departments cannot view the trades that were received and transmitted. Moreover, all transactions will be tracked, and cross checked so that all transactions effected on any one day are subsequent to the orders of the counterparty.

c. Brokerage

The trading system is password protected so that the transaction log is not accessible to other departments. Similarly, all transactions are cross checked with orders that are received in order to ensure that no supplementary transaction flow was affected to benefit from any price manipulation mechanisms.

d. Proprietary Trading

There are numerous conflicts of interest that arise as a result of proprietary trading. One common concern is

that the proprietary traders may buy a security they discern their buy-side customers are purchasing in order to profit from the price appreciation that will result from their customer's purchases. Another conflict that might occur is that when the proprietary traders buy securities that have been performing badly. In this instance, the trader might instruct their sales staff to call clients to try and convince them to purchase these securities. Therefore, the department needs to be segregated from the brokerage department, investment advice and portfolio management departments.

e. Corporate Finance

The main service lines of this department include project valuations, raising financing for clients, option valuations, financial projections, drafting business plans etc. This department handles confidential and price sensitive information and could give rise to a conflict of interest if that information becomes known to other departments. As such, the Corporate Finance department is physically separate from all other departments and is under separate supervision. This ensures the prevention of the flow of information between departments.

f. Underwriting

A more frequent and more observable conflict occurs between the Company's Underwriting department and its Brokerage Operations, Portfolio Management and Investment Advice departments. The Underwriting department is responsible primarily for completing transactions such as bond issuance or initial public offerings. The brokerage operation and the Investment Research department, on the other hand, are motivated to maximize commissions by providing fair, timely, high-quality and unbiased information for their clients. These two objectives may conflict. It is also applied to the Portfolio Management Department, where it is important the risk taken to the clients' portfolios.

g. Investment Research

The persons involved in the production of investment research shall not disclose draft documents to any relevant persons such as the issuers of securities covered by the research or persons with a material interest in those securities, inclusive other employees of the company, prior to its official publishing.

9. Disclosure

Where MeritKapital cannot ensure with reasonable confidence, that the risk of damage to the interests of a client will be prevented, MeritKapital will disclose the general nature and source of the conflict(s) of interest to the client before undertaking business on its behalf.

As a last resort, MeritKapital will disclose a conflict of interest to the client where it cannot through its organisational and administrative arrangements ensure that conflict will be prevented or managed.

The relevant disclosure will:

- be made in a durable medium;
- include sufficient detail, taking into account the nature of the client, to enable that client to make an informed investment decision with respect to the service in the context of which the conflict of interest arises;
- include a specific description of the conflict of interest in question;
- explain the general nature and/or sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflict and the steps undertaken to mitigate these risks.

Where MK has a material interest in a transaction with or for a client, or a relationship which gives rise to an actual or potential conflict of interest about the transaction, it should neither advise nor be involved in the transaction unless it has taken all reasonable steps to ensure fair treatment of the client.

10. Record Keeping

MeritKapital will maintain a record of all activities where a conflict of interest has arisen or may arise in the conflict of interest register. MeritKapital will retain all personal details of an individual for no longer than necessary, this being for a maximum period of 5 years. This will also be presented to the board frequently.

11. Training and review

All employees will be given training on how to be aware of conflicts of interest and how to report any new or future conflicts.

12. Control by Auditors

A sequential internal audit visit will mitigate conflict of interest risks especially within the undertaking of functions such as trading and back office; settlement and payments functionalities. An external audit visit will mitigate conflicts of interest within the unit of accounting and across other units of MeritKapital.

13. Failure to Comply

The requirements of employees to comply with MeritKapital's policies for managing conflicts of interest as set out above are part of the mandatory internal obligations of all staff. If an employee does not comply with this policy, a formal warning will be given. If non-compliance with this policy is identified as malicious action, a disciplinary procedure will be invoked.

14. Monitoring and review

The Company has a responsibility and a legal obligation to ensure that its conflict management arrangements remain adequate. These compliance policies must work in a changing environment.

For these purposes:

- a. MeritKapital's board has the ultimate responsibility for ensuring the adequacy of this policy, its implementation and that this policy is reviewed adequately.
- b. MeritKapital's senior management has the responsibility to ensure implementation of the board's directions, including implementation by the Compliance Officer and other employees, and monitoring by the Compliance Officer.

The Compliance Officer is responsible for:

1. monitoring the day-to-day implementation of this policy;
2. for implementing the Company's obligations to record documents and for monitoring and implementing this policy;
3. continuous training of all staff;
4. advising the senior management on particular issues for potential change to this Policy.

5. The Company staff have responsibility for ensuring their compliance with this Policy and for suggesting changes to this Policy.

MeritKapital annually reviews this policy, and should any amendments be made which may materially affect the way in which the firm would handle a conflict of interest on behalf of a client, the client shall be notified in writing of the nature of the changes. The client is provided upon account opening, and further upon request, with an up-to-date copy of the conflicts of interest policy statement.

The responsibilities contained within this document will be reviewed on an annual basis by the Board of Directors and any changes made if appropriate.

15. Conflict of Interest: Other Directorships

MeritKapital employees who wish to hold a directorship in a business organisation other than MeritKapital must obtain prior written approval from the compliance officer. The request should be submitted in writing and contain the following information:

- name and address of the organisation;
- nature of its business;
- the basis on which the staff is remunerated.

Upon joining MeritKapital, the relevant employee should fully declare all their directorships or consultancies and may be required to resign from the boards of those companies which may be considered to be in conflict potentially or, with any business of MeritKapital or its clients.