Appendix No. **25**
to the Client Service Regulations
Approved by Order No. 01-17
of the Director of **Rioni Capital LLC**
________________________ Badri Gobechia
dated *08 August* **202**5

# Brokerage Company "Rioni Capital"
# Conflicts of Interest

# POLICY

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# CHAPTER I. INTRODUCTION

## 1. Purpose of the Policy

This Conflict of Interest Management Policy (hereinafter – the **"Policy"**) establishes the principles, procedures, and measures for the identification, prevention, management, and disclosure of conflicts of interest by **Rioni Capital LLC** (hereinafter – the **"Company"**) when providing investment and related services to Clients.

The purpose of the Policy is to ensure the priority of the Client's interests, the honest and reliable execution of operations, compliance with the requirements of the legislation of Georgia and the normative acts of the National Bank of Georgia (NBG), as well as compliance with best international standards, including **MiFID II**.

## 2. Regulatory Framework

This Policy is based on the following legal acts:

- The Law of Georgia **"On the Securities Market"**;
- Order No. **145/04** of 5 July 2018 of the President of the National Bank of Georgia **"On Approval of the Rule on Licensing and Regulation of Brokerage Companies"**;
- Other regulations of the National Bank of Georgia;
- **MiFID II** (Directive 2014/65/EU);
- **Commission Delegated Regulation (EU) 2017/565**;
- Recommendations of **ESMA**, including the MiFID II Guidelines on Conflicts of Interest;
- The Company's internal procedural documents (the Regulation, AML/CTF Policy, etc.).

## 3. Scope of Application

This Policy applies to:

- All types of investment and related services provided by the Company (trading, order execution, margin lending, borrowing/lending of securities, conversion, investment advice, OTC transactions, etc.);
- All employees of the Company, including management, sales department staff, back office, IT, risk management, operations, AML and compliance departments, as well as subsidiaries and partners involved in the provision of services to Clients;
- Transactions executed with upper-tier brokers and partner infrastructure organisations.

## 4. Fundamental Principles

The Company is guided by the following fundamental principle:

The **Client's interests take precedence** over the interests of the Company, its employees, affiliated persons, and other Clients.

The Company implements measures to identify and prevent conflicts of interest that may arise in the process of providing financial services between the Company (including its employees) and the Client, as well as between Clients.

A Company employee informs the Client of the fundamental principles defined by this Policy and explains to the Client the nature of a conflict of interest and the relevant situation.

The Company ensures the establishment of an internal organisational structure that facilitates effective conflict of interest management and minimises the likelihood of such situations arising.

The Company is obliged to:

- identify and minimise conflicts of interest prior to their occurrence;

- apply preventive measures, and not merely disclose conflicts of interest;
- avoid situations where the Company's own interests may adversely affect the Client's interests;
- review and update this Policy on an annual basis.

### 5. Relationship with Other Documents

This Policy is applied in conjunction with the following documents:

- Client Service Regulation (Appendix No. 1 to the Brokerage Agreement);
- Best Execution Policy;
- Risk Management Policy;
- AML/CTF Policy;
- Suitability & Appropriateness Policy;
- Confidentiality and Information Security Policy.

In the event of inconsistencies, priority shall be given to the requirements of the legislation of Georgia and the normative acts of the National Bank of Georgia.

### 6. Definitions

The terms used in this Policy are defined in the **Rioni Capital Regulation** and in the **Glossary (Appendix No. 16 to the Regulation)**.

If a term is not defined either in this Policy or in the Regulation, its meaning shall be determined in accordance with the legislation of Georgia or **MiFID II**.

## CHAPTER II. TYPES OF CONFLICTS OF INTEREST

A **conflict of interest** is any situation in which the interests of the Company, its employees, subsidiaries, or other Clients may conflict with the interests of a particular Client, and such conflict may result in harm to the Client or a benefit to another party.

The Company identifies the following main categories of conflicts:

### 1. Conflict between the Company and the Client

**The Company's financial interest against the Client's interest**

Such situations include:

- The Company may benefit at the expense of the Client (e.g. high commissions, hidden fees, incentive payments from counterparties);
- The Company derives income from internalisation (execution of transactions using its own portfolio);
- The Company is interested in selling an instrument or product to the Client for which it receives remuneration (financial benefit) from a third party.

### 2. Conflict between multiple Clients

Such situations include:

- The Company gives preference to one Client over another (in particular, a high-revenue Client or an affiliated entity);
- Simultaneous execution (matching) of conflicting orders from different Clients;
- Allocation / partial fill – allocation of partially executed orders;
- Conflict arising when servicing multiple portfolios of a single legal entity.

### 3. Conflict of interest between employees and Clients

Such situations include:

- Personal transactions of employees;
- Insider trading / misuse of confidential information;
- An employee receiving benefits from third parties;
- An employee recommending a transaction to a Client that is beneficial to the employee.

## 4. Conflicts related to the use of information

Unfair use of non-public information includes:

- Access to non-public information about Client transactions;
- Access to internal accounts, margin levels, and Client assessment algorithms;
- Use of obtained information for the benefit of the Company or another Client.

## 5. Conflicts arising in the provision of investment recommendations

Such situations include:

- Recommendations to a Client to buy/sell an instrument in which the Company holds a position;
- Conflicts between analytical and trading departments;
- Use of analytical information to influence the market in the interests of the Company.

## 6. Conflicts related to margin and credit operations

- The Company is motivated to increase the volume of issued loans (loan book);
- The Company is motivated to trigger a margin collapse for the Client (margin call / forced liquidation);
- The Company derives additional benefit from retaining loan-related commissions.

## 7. Conflicts related to short selling and securities lending

- The Company may use Client assets for its own transactions;
- The Company may receive interest income from securities lending;
- Conflicts arise in relation to rare or hard-to-borrow instruments.

## 8. Conflicts during internalisation (internal execution of transactions)

- The Company executes a Client's transaction not on the open market but through its own position;
- The Company matches Client orders against each other (client-to-client crossing);
- Risk of the Client receiving an unfavourable price if internalisation is performed incorrectly.

## 9. Conflicts in cooperation with upper-tier brokers and custodians

- Receipt of commissions from infrastructure organisations;
- Selection of counterparties motivated by benefits (rebates, commissions);
- Risk of deterioration of conditions for the Client.

## 10. Employee incentives

- Employee bonuses may be based on the volume of transactions or margin-derived income rather than service quality;
- Employees may be incentivised to take actions that worsen the Client's financial results.

# CHAPTER III. CONFLICT OF INTEREST IDENTIFICATION PROCESS

The Company implements a formalised, documented, and multi-level conflict of interest identification procedure covering all types of services and operations, including brokerage services, margin transactions, short selling, investment advisory services, internalisation, and relationships with third parties.

## 1. Principles of Identification

The Company is obliged to identify conflicts of interest in the following situations:
- where the Company, an employee, or an affiliated person may obtain a financial benefit at the expense of a Client;
- where the Company or an employee has an interest that differs from the interest of the Client;
- where the Company seeks to satisfy the interest of one Client to the detriment of another Client;
- where the Company performs multiple functions that may be conflicting;
- where the Company or an employee is involved in activities that create a risk of improper use of information.

## 2. Sources of Conflicts of Interest

The Company regularly reviews the following areas:

### 2.1. Business Model
- commission and tariff structure;
- incentive payments from counterparties;
- internalisation / proprietary desk;
- securities lending programmes.

### 2.2. Products and Services
- margin trading;
- recommendations or investment advisory services;
- access to restricted instruments;
- OTC transactions and counterparty selection.

### 2.3. Employees
- personal transactions of employees;
- access to confidential information;
- participation in processes that affect pricing or execution.

### 2.4. Infrastructure
- cooperation with custodians and upper-tier brokers;
- discounts from market makers;
- cross-trading between Clients;
- order execution and allocation algorithms.

## 3. Frequency and Methodology of Review

### 3.1. Continuous Monitoring
- during transaction execution;
- during employee communication with Clients;
- upon changes in market conditions;
- during execution of OTC transactions;
- during short selling or securities lending operations.

### 3.2. Periodic Monitoring
- quarterly internal audit;
- annual update of conflict of interest procedures;
- annual reassessment of risks by the Risk Officer;
- stress testing of conflicts.

### 3.3. Prior to the Introduction of a New Product or Service
- UX/UI assessment of the personal account;
- Best Execution risk analysis;
- assessment of impact on different categories of Clients;
- analysis of commissions and incentives.

## 4. Conflict of Interest Assessment Matrix

The Company's matrix includes:

| No. | Type of Conflict | Description | Department | Risk Level | Control Mechanism |
|---|---|---|---|---|---|
| 1 | Company vs Client | Internalisation | Trading Desk | **High** | Best Execution, disclosure |
| 2 | Client vs Client | Partial fill allocation | Brokers | **Medium** | Allocation Rules |
| 3 | Employee vs Client | Employee transactions | All departments | **High** | Pre-trade approval |
| 4 | Information | Access to information | Operations / IT | **Medium** | Chinese Walls |
| 5 | Investment recommendation | Conflict of analytical data | Advisors | **High** | Segregation of functions |

The matrix is updated:
- upon each incident;
- every 6 months by the Compliance Department;
- annually by the Audit Committee.

## 5. Procedure for Recording and Escalation of Suspicious Situations

### 5.1. Reporting Obligations

Any employee is obliged to report a potential conflict to:
- the Internal Audit Department;
- the head of their department.

Information between employees must be transmitted via internal, confidential communication channels.

### 5.2. Responsibilities of the Audit Function
- registration of the incident;
- conduct of an investigation;
- classification of the risk level;
- assessment of the need to notify the Client;
- determination of mitigation measures.

### 5.3. Mandatory Escalation to Management

Escalation to management is mandatory if:
- the conflict may cause harm to a Client;
- the conflict affects an entire group of Clients;
- the incident involves senior (C-level) employees;
- suspension of services may be required.

### 6. Rules for Documentation and Record Retention

In relation to incidents, the Company maintains records of:

- the incident register;
- the register of decisions taken by the Audit function;
- the register of actions taken to eliminate conflicts of interest;
- records of employee acknowledgment and confirmation of document review;
- records of internal inspections and audit results.

The document retention period is **at least 7 years** from the occurrence of the relevant incident. Decisions taken by the Audit Department and inspection results are retained for **7 years** from the date of adoption.

## CHAPTER IV. PREVENTIVE MEASURES

The Company implements a комплекс of preventive, organisational, technical, and procedural measures aimed at minimising and managing conflicts of interest that may affect the quality of services provided to Clients. All measures comply with:

- the general conduct standards of the National Bank of Georgia;
- Articles 16 and 23 of MiFID II;
- Delegated Regulation (EU) 2017/565;
- ESMA Guidelines on conflicts of interest;
- the Rioni Capital Regulations and the Best Execution Policy.

### 1. Organisational Measures

#### 1.1. Functional Segregation of Duties (Chinese Walls)

For the purpose of preventing conflicts of interest, the Company ensures the segregation of the following functions:

- trading functions (execution);
- risk management function;
- advisory function;
- custodial accounting;
- accounting;
- IT / data;
- internal audit and compliance.

The Company is authorised to establish additional or sub-departments, the powers of which shall also be regulated in accordance with internal working procedures.

#### 1.2. Access to information for each employee is restricted through technical and administrative barriers:

- segregation of work areas;
- separate access permission systems;
- logging of activities within IT systems;
- prohibition of exchange of confidential information between departments.

### 2. Monitoring of Employee Activities

#### 2.1. Employees' Personal Transactions

Strict rules apply to employees, including:

- prohibition of transactions where access to insider or confidential information exists;
- mandatory prior notification to the Compliance Officer (pre-trade approval);

- prohibition of transactions during blackout periods (e.g., during the launch of services or new products);
- mandatory post-trade disclosure of transactions;
- mandatory retention of records for no less than 7 years.

### 2.2. Employee Remuneration and Incentives

The incentive system must not encourage employees to:

- recommend products that are inappropriate for the Client;
- grant preferential treatment to one Client to the detriment of others;
- manipulate transaction execution;
- conceal information about risks.

## 3. Control Measures for Internal Execution (Internalisation)

In situations where the Broker acts as the counterparty to a Client transaction (internal matching / internal crossing), the Company is obliged to:

- ensure "best execution" on terms that are not worse than those available on external markets;
- determine the transaction price based on independent market data;
- eliminate any potential conflict of interest between the Broker and the Client;
- disclose the possibility of internalisation in the Agreement and the Regulations;
- provide execution venue disclosures.

## 4. Conflict Management Measures Between Clients

### 4.1. Transaction Allocation Rules

The Company ensures:

- equal treatment of Clients;
- allocation of partially executed orders based on FIFO or proportionality;
- prohibition of privileged order execution for "VIP Clients", employees, or partners;
- mandatory documentation of records relating to the order allocation algorithm.

### 4.2. Management of Conflicts of Interest Between Clients

Typical cases include:

- margin deterioration / forced liquidation;
- lending / borrowing transactions;
- OTC transactions between Clients.

### 4.3. The Company is obliged to:

- eliminate the influence of one Client on the transaction terms of another Client;
- use independent market data;
- record all actions in the incident register.

## 5. Conflict Management Measures in Investment Advisory Services

Preventive measures include:

- segregation of advisory functions from brokerage functions;
- separation of analytical materials from trading recommendations;
- assessment of the Client's profile (suitability test) prior to issuing a recommendation;
- retention of justification ("recommendation rationale");
- avoidance of offering products that generate commissions for the Broker but are not beneficial to the Client.

## 6. Management of Conflicts Related to New Products

**Product governance / target market**

Prior to launching a new product, the Company conducts:
- target market analysis;
- product stress testing;
- risk assessment for different categories of Clients;
- review of the commission structure in the event of potential conflicts.

## 7. Management of Conflicts Related to Third Parties

### 7.1. Discounts, Commissions, and Bonuses Received from Third Parties

The Company may receive remuneration from:
- exchanges;
- market makers;
- custodians;
- information providers.

### 7.2. Relationship with Upper-Tier Brokers

The Company is obliged to:
- ensure independence in the selection of counterparties;
- avoid circumstances that hinder best execution;
- control commissions;
- monitor execution quality.

## 8. Information Protection

### 8.1. The IT Department is authorised to:
- restrict access rights and permissions for employees;
- prohibit employees from using information related to order flow data;
- maintain registers of access and activities;
- prohibit the use of external storage devices when using the Company’s electronic equipment.

### 8.2. Protection of Insider Information

The Company implements the following measures:
- establishment of rules against insider trading;
- prohibition of disclosure of insider information;
- definition of employee obligations under non-disclosure agreements;
- provision of annual training.

## 9. Suspension of Services in Case of Unavoidable Conflict

Where a conflict cannot be resolved organisationally or technically, the Company is obliged to:
- refuse to execute the transaction or provide the service;
- disclose risk-related information to the Client;
- propose an alternative solution;
- document the reasons for refusal.

# CHAPTER V. DISCLOSURE OF INFORMATION ON CONFLICTS OF INTEREST TO CLIENTS

## 1. Principles of Disclosure

The Company discloses to Clients information on conflicts of interest that:

- actually exist;
- may arise;
- cannot be fully eliminated by the measures in place.

Disclosure is carried out:

- prior to the execution of a transaction or the provision of a service;
- in a clear, comprehensible, and prominent manner;
- with sufficient detail to enable the Client to make an independent and informed decision.

## 2. Forms of Disclosure

### 2.1. Basic (Preliminary) Disclosure

Upon entering into a transaction, each Client is provided with:

- the Conflict of Interest Management Policy;
- the Best Execution Policy (including internalisation);
- information on Client categorisation;
- a description of the current commission structure.

### 2.2. Disclosure through the Regulations

The Regulations include the following information on conflicts of interest:

- conditions for internalisation;
- cases where the Broker acts at its own expense or at the Client's expense;
- potential situations of conflicting interests between Clients;
- corporate actions that may affect Clients;
- the commission structure and its possible impact on order execution.

### 2.3. Specific Disclosure

Specific disclosure is applied where the conflict:

- is specific;
- concerns a particular Client; and/or
- is not fully mitigated by internal measures.

In such cases, the Company discloses:

- the nature of the conflict;
- the parties involved;
- the impact on the Client's interests;
- the measures already taken;
- any residual risks;
- alternatives available to the Client (if any).

### 2.4. Timing of Specific Disclosure

Specific disclosure is applied where the conflict is identified:

- prior to transaction execution; or
- prior to the provision of a service.

The Company is obliged to inform the Client about:

- the nature of the conflict;
- the consequences for the Client;
- the measures taken to compensate for and/or minimise the impact.

## 3. Content of Disclosed Information

Disclosure includes:

1. The precise nature of the conflict of interest (e.g. trading on the Broker's proprietary book, internal matching, receipt of commissions from third parties).
2. The causes of the conflict (commission structure, product features, ownership structure, organisational limitations, etc.).
3. Risk disclosures, including:
    - deterioration of execution conditions;
    - possible delays in execution;
    - risk of insufficient information;
    - possible preferential treatment of the transaction counterparty.
4. The measures applied and the reasons for their insufficiency, where the Company is unable to fully eliminate the risk through organisational measures.
5. Alternatives, where the Client may choose another service or execution option.
6. Information on any remuneration received by the Company (discounts, commissions, spread income, margin interest, income from securities lending, etc.).

## 4. Methods of Disclosure

Disclosure may be carried out through:

- notifications sent via the Client's personal account;
- electronic mail;
- publication of updated policies on the website;
- reporting (best execution report RTS 28 / execution venue disclosure);
- individual notifications prior to transaction execution.

The Company is entitled to use one or more of the listed communication methods for disclosure purposes.

## 5. Disclosure in the Context of Internalisation

Where the Broker conducts trading:

- as a counterparty;
- through a matching pool of its own Clients;
- where it derives income not from a margin commission but from its own execution;
- or where it uses its own position to cover an order,

the Company is obliged to:

- disclose to the Client the possibility of internalisation;
- disclose that the Company may derive income from spreads and/or cross execution;
- ensure independent price formation;
- explain why internal execution may be more favourable (price, liquidity, speed).

## 6. Special Disclosure for Lending and Short Transactions

Due to inherent conflicts of interest (where the Broker may act as a lender or provider of securities), the Client is informed of the following:

- borrowing fees;
- transaction counterparties (where possible);
- risks related to the inability to return securities;
- buy-in risks;
- cases where the Broker is the source of securities for a short position.

## 7. Record-Keeping of Disclosure

The Company maintains and records:
- a disclosure register;
- a correspondence register;
- records of telephone conversations;
- Clients' electronic consents.

All records are stored in compliance with the Company's personal data protection procedures.

### 8. Disclosure of Conflicts of Interest as a Measure of Last Resort

The Company is obliged, first and foremost, to resolve conflicts organisationally. Only where this is not possible shall information be disclosed, and where this also proves impossible, the Company shall refuse to execute the transaction or provide the service.

## CHAPTER VI. MANAGEMENT OF CONFLICTS OF INTEREST IN THE PROVISION OF INVESTMENT ADVICE AND ANALYTICAL INFORMATION

### 1. General Provisions

**1.1. The Company provides Clients with the following services:**
- investment advice (individual investment recommendations);
- general investment information;
- analytical materials and reviews (research reports).

**1.2. The Company is obliged to prevent conflicts of interest related to:**
- preparation of recommendations;
- provision of personal recommendations;
- publication of analytical materials;
- dissemination of information among Clients.

**1.3. All analysis, recommendations, and information must be provided:**
- in good faith;
- objectively;
- without hidden incentives;
- without preferential treatment;
- in the interests of the Client and not of the Company.

### 2. Conflicts of Interest in Investment Advisory Services

Conflicts may arise where:

**2.1. The Company receives income from the sale of a specific financial instrument.**
Possible sources include:
- commissions (inducements) from product providers;
- exchange/broker commissions;
- placement or distribution fees for products.

Such payments are permitted only where:
- they improve the quality of services provided to the Client;
- they are fully disclosed to the Client;
- they do not breach the obligation to act in the Client's best interests.

**2.2. The Company or its employees hold positions in instruments recommended to Clients.**
- recommendations may be biased;

- abuse of publication timing may occur;
- corporate actions may affect an employee's portfolio.

**2.3. An employee is interested in selling a particular product because their bonus depends on it.**
- the employee remuneration model must not encourage conflicts;
- KPIs linked to the volume of sales of specific products must not be established;
- bonuses must be based on the quality of advice rather than on Client revenue.

**2.4. An employee simultaneously advises several Clients whose interests conflict.**
- one Client buys;
- another sells;
- the employee is required to provide personalised recommendations to both.

**2.5. Conflict between the interests of the Client and the Company**
- the Broker may recommend more transactions in order to earn commissions;
- or recommend riskier funds with higher commission remuneration.

## 3. Conflicts of Interest in Analytical Materials

### 3.1. Independence of Analysis

An analyst must not:
- participate in sales activities;
- receive sales-related bonuses;
- have access to insider information;
- participate in marketing campaigns for specific products.

### 3.2. Prohibition of Manipulative and Promotional Content

Analytical materials must:
- be clearly separated from marketing content;
- contain disclaimers stating that the analysis is not an individual recommendation;
- not contain hidden product advertising.

### 3.3. "Chinese Walls" – Internal Information Barriers

The Company establishes information barriers between the following departments:
- analytical;
- advisory;
- execution;
- trading.

### 3.4. Obligation to Disclose the Analyst's Position

Where an analyst or the Company holds assets covered by the published analysis, such holdings must be disclosed.

## 4. Measures Applied by the Company to Prevent Conflicts

### 4.1. Organisational Measures
- independence of the analytical department;
- prohibition on sharing materials with the sales department prior to publication;
- prohibition on analysts trading in instruments they analyse (blackout period);
- internal compliance control systems.

### 4.2. Behavioural Measures
- mandatory employee training;
- monitoring of correspondence;

- monitoring of telephone recordings;
- segregation of duties.

#### 4.3. Monitoring of Personnel Compensation

Compensation:

- is not linked to the sale of specific products;
- is based on service quality;
- takes into account client satisfaction;
- excludes KPIs that create incentives for conflicts of interest.

### 5. Disclosure of Conflicts to Clients

Where a conflict cannot be resolved organisationally, the following information is disclosed to the Client:

- the nature of the conflict;
- potential impact;
- measures taken by the Company;
- residual risk.

Disclosure is carried out:

- prior to providing a recommendation;
- on an individual basis;
- via the Client's personal account or by electronic mail.

### 6. Additional Requirements for Investment Advisory Services

#### 6.1. Suitability Assessment Procedure

Prior to providing personalised recommendations, the Broker assesses:

- investment objectives;
- financial situation;
- Client experience;
- risk profile.

#### 6.2. Retention of Advisory Documentation

The Company retains the following information/documentation:

- recommendations;
- suitability calculation algorithms;
- communications;
- evidence of conflict disclosure.

#### 6.3. Provision of a Suitability Report to the Client

Each recommendation is accompanied by a document explaining:

- why it is suitable for the Client;
- which conflict-of-interest parameters were considered;
- which conflict prevention measures were applied.

## CHAPTER VII. MANAGEMENT OF CONFLICTS OF INTEREST IN TRADING OPERATIONS, MARGIN TRADING AND SHORT SELLING

### 1. General Provisions

**1.1. The Company provides Clients with brokerage services, including:**
- trading operations on equity, foreign exchange and derivatives markets;
- margin transactions;
- short selling;
- securities lending transactions;
- OTC transactions (including REPO and FX conversion).

**1.2. In the course of providing trading services, conflicts of interest may arise between:**
- the interests of the Client and the Company;
- the interests of different Clients;
- the interests of the Client and the Company's employees;
- the interests of the Client and the prime broker.

## 2. Conflicts Arising in Trading Operations

### 2.1. Conflicts Related to Order Execution

Potential conflicts arise where:
- the Company selects the execution venue (exchange, OTC, prime broker);
- the Company may receive compensation for order routing;
- the Company executes orders internally (internalisation);
- the Company acts as a counterparty to the transaction.

**Preventive measures:**
- a strict Best Execution Policy;
- prohibition on taking the Company's own interests into account when selecting an execution venue;
- mandatory disclosure of internalisation to the Client;
- prohibition on routing orders to a counterparty where a conflict exists without disclosure to the Client;
- monitoring of transaction execution compliance.

## 3. Conflicts in Margin Trading

**3.1. Margin trading creates potential conflicts because:**
- margin transactions increase commissions;
- they increase the Company's interest income;
- they incentivise Clients to execute more transactions.

**Preventive measures:**
- employees are prohibited from advising Clients to open unjustified margin positions;
- supervision of advisory activities (where applicable);
- an honest risk disclosure policy;
- a mis-selling prevention policy.

### 3.2. Conflicts Related to Margin Calls and Position Liquidation

**Risk situations include:**
- the Company may liquidate a position faster than necessary to protect the Client;
- during liquidation, the Company may select an execution method more beneficial to itself than to the Client;
- potential conflicts in the choice of execution venue (exchange/OTC).

**Preventive measures:**
- uniform liquidation rules;
- a fixed close-out algorithm prioritising the most risky/illiquid instruments;

- priority given to market prices;
- prohibition on choosing execution methods for the Company's own benefit;
- mandatory notification of liquidation reasons.

## 4. Conflicts in Short Selling

### 4.1. Company's interest in borrowing/short-selling fees

The Company may:

- receive income from lending rates;
- prioritise short-selling Clients who generate higher fees;
- provide locate services preferentially to one Client over another.

**Measures:**

- prioritisation of Client requests based on order of receipt;
- disclosure of borrowing rates;
- prohibition of preferential treatment of any Client;
- prohibition on employees engaging in short transactions in Client instruments.

### 4.2. Conflicts in Buy-ins and Forced Position Closures

The Company must:

- close short positions at market prices;
- avoid execution through affiliated counterparties;
- maintain full reporting of the source of buy-ins.

## 5. Conflicts in Securities Lending

### 5.1. The Company may earn income from securities lending.

Potential issues include:

- preferential treatment of certain Clients over others;
- use of Client portfolios for the Company's benefit;
- insufficient disclosure of dividend compensation.

**Measures:**

- strict compliance with obtaining Client consent;
- transparent tariffs;
- prohibition on using Client assets without consent;
- full reporting of transferred securities within the Client's portfolio.

## 6. Conflicts in Cooperation with a Prime Broker

### 6.1. The prime broker may have its own interests, such as:

- routing commissions;
- preferences for specific platforms;
- use of proprietary liquidity systems.

**Measures:**

- proper due diligence of counterparties;
- commission monitoring;
- disclosure of commission structures to Clients;
- prohibition on selecting counterparties based on Company benefit.

## 7. Conflicts in Internalisation (Internal Trade Execution)

Conflicts may arise where the Company:

- executes Client trades against its own position;
- executes one Client's order at the expense of another Client's order;
- crosses Client orders internally.

**Measures:**
Internalisation is permitted only where:

a. full disclosure is provided to the Client;
b. best execution is ensured;
c. there is no price impact;
d. there is no proprietary benefit;
e. compliance controls are applied;
f. mandatory reporting is performed.

## 8. Conflicts in OTC Transactions / REPO / FX Conversion

Potential issues include:

- selection of counterparties on unfavourable terms;
- receipt of hidden commissions;
- application of non-competitive conversion rates.

**Measures:**

- transparent OTC terms;
- disclosure of pricing and rate calculation methodologies;
- prohibition of hidden margins;
- mandatory documentation of market deviations.

## 9. Conflict Control and Monitoring

### 9.1. Daily Monitoring

- monitoring of all Client transactions;
- review of transactions for anomalies (excessive trading, volatility);
- monitoring compliance with best execution requirements.

### 9.2. Monthly Monitoring

- monitoring of short positions;
- analysis of liquidations;
- analysis of margin requirements.

### 9.3. Annual Report

The Company publishes an annual conflicts of interest report on its website, which includes:

- identified conflicts;
- liquidation statistics;
- corrective measures taken.

# CHAPTER VIII. MANAGEMENT OF CONFLICTS OF INTEREST IN CERTAIN TYPES OF SERVICES

This section describes specific situations in which conflicts of interest may arise in the course of providing various services to Clients, as well as measures for their identification, prevention, management and disclosure.

## 1. Investment Advice

Conflicts may arise where:

- the Broker receives compensation from third parties (inducements);
- the Broker's employees have personal interests in instruments recommended to the Client;
- the Broker holds proprietary positions in the recommended assets;
- employees may recommend products that are more beneficial to the Broker.

**Preventive measures:**

- any third-party inducements that do not improve the quality of service are prohibited;
- a best interest assessment is mandatory prior to issuing a recommendation;
- mandatory documentation of the recommendation rationale (suitability file);
- employees are prohibited from holding assets included in personal recommendations to Clients (except for management companies, funds and index exposure);
- compliance review prior to issuing recommendations;
- disclosure of all material interests of the Broker.

## 2. Trading

Conflicts may arise where:

- the Broker benefits from execution on a particular platform;
- the Broker receives commercial inducements from prime brokers / market makers;
- the Broker executes transactions from its own position or through internalisation.

**Preventive measures:**

- application of the Best Execution Policy;
- independent assessment of execution venue selection;
- prohibition of undisclosed hidden rebates to the Client;
- mandatory disclosure of internalisation (where applicable).

## 3. Margin Trading

Conflicts may arise where:

- the Broker benefits from margin service fees;
- the Broker receives interest income from collateral;
- the Broker may close Client positions to protect its own interests.

**Prevention measures:**

- clear and transparent margin policy;
- employees are prohibited from initiating Client transactions;
- fixed and documented execution records;
- incentive schemes for employees based on interest income are prohibited;
- disclosure of interest rates and settlement procedures.

## 4. Borrowing and Lending (Securities Lending)

Conflicts arise where:

- the Broker receives a fee from the borrower in transactions related to the Client;
- counterparty selection may be beneficial to the Broker;
- the Broker may use the Client's securities for its own purposes.

**Controls:**

- reuse of Client securities is prohibited without explicit consent;
- automatic disclosure of lending terms;
- transparent remuneration rates;
- fixed procedures for counterparty selection;
- recording of all lending transactions in the conflicts register.

### 5. Short Selling

Conflicts arise where:
- the Broker provides locate/borrowing through counterparties from which it derives economic benefit;
- buy-ins may be delayed in the interests of the Broker.

**Control measures:**
- independent control of locate services;
- fixed buy-in methodology;
- absence of incentives for employees to increase short volumes;
- mandatory disclosure of all borrowing fees.

### 6. OTC Transactions and Pricing

Conflicts arise where:
- the Broker independently determines the price of an OTC transaction;
- the Broker selects a counterparty based on its own economic benefit;
- the Broker may present incomplete market pricing to the Client.

**Control measures:**
- pricing strictly based on independent sources (Bloomberg BVAL, Refinitiv, ICE Data);
- prohibition of manual price adjustments (except in cases of market disruption);
- compliance control of large OTC transactions;
- disclosure of pricing methodology to the Client.

### 7. Algo-Trading

**Control measures:**
- monitoring of applied strategies (e.g. pinging, layering, spoofing);
- segregation of Client strategies from the Company's proprietary strategies;
- independent review of algorithmic logic;
- mandatory disclosure of risks to the Client.

### 8. Advertising, Marketing and Content

Conflicts arise through:
- use of marketing materials that may incentivise Clients to act in the Broker's interests;
- creation of content containing implicit recommendations.

**Control measures:**
- mandatory compliance review of marketing materials;
- "not investment advice" labelling;
- prohibition of income or return guarantees;
- prohibition on publication of materials by employees without approval.

## CHAPTER IX. CONFLICTS OF INTEREST REGISTER

### 1. General Requirements

The Broker maintains a Conflicts of Interest Register in accordance with the following requirements:
- the Law of Georgia "On the Securities Market";
- prudential requirements of the National Bank of Georgia;
- MiFID II Delegated Regulation (EU) 2017/565.

### 2. Record Format

Each record includes:

- **a.** date of identification;
- **b.** description of the conflict;
- **c.** type of conflict;
- **d.** parties involved;
- **e.** impact on the Client;
- **f.** risk assessment;
- **g.** measures taken by the Broker;
- **h.** indication of whether disclosure to the Client is required;
- **i.** responsible unit.

### 3. Responsible Persons

- Chief Executive Officer – approval of measures;
- Head of the relevant department – obligation to report incidents;
- Internal Audit – recording of incidents and subsequent review.

### 4. Update Frequency

- the Register is updated on a daily basis;
- quarterly verification by the Audit function is mandatory.

### 5. Retention Period

- minimum of 7 years.

## CHAPTER X. RESPONSIBLE PERSONS

### 1. Chief Executive Officer

- determines the overall approach to conflict of interest management;
- approves the Policy and all amendments thereto.

### 2. Heads of Departments

- are obliged to identify potential conflicts within their operational processes;
- submit relevant information to the Compliance function.

### 3. Internal Audit

- reviews the effectiveness of the Policy;
- performs independent assessment of procedures;
- conducts investigations of incidents;
- maintains the relevant registers.

## CHAPTER XI. FINAL PROVISIONS

**1.** This document is subject to annual review, or earlier in the event of relevant changes in legislation.

**2.** This document constitutes an annex to the Company’s Client Service Regulations.

**3.** Terms used in this document shall have the same meaning as defined in the Client Service Regulations and applicable legislation of Georgia.

**Annex 1**

## Conflicts of Interest Matrix

| No. | Situation | Category | Risk to the Client | Probability | Prevention | Disclosure Required |
|---|---|---|---|---|---|---|
| 1 | Execution using the Broker's own position | Economic conflict | Price deterioration | Medium | Best execution | Yes |
| 2 | Receipt of remuneration from third parties | Inducement | Unfavourable subjective recommendations | High | Prohibition of inducements | Yes |
| 3 | Lending through brokerage counterparties | Economic | Deterioration of the Client's position | Low | Fixed counterparty selection rules | Yes |
| … | … | … | … | … | … | … |

**Annex 2**

## Conflicts Register

| Field | Description |
|---|---|
| Identification time | Date (day/month/year) |
| Description of the conflict | ________________________________ |
| Involved parties | … |
| Client | … |
| Risk | Low / Medium / High |
| Actions taken | ________________________________ |
| Disclosure required | Yes / No |
| Recorded by | … |
| Control | Date |
| Status | Active / Closed |