

**APPROVED**

by the Decision of the Board  
of MACTE INVEST FM AB No. 20200915,  
15th of September, 2020

**MACTE INVEST FM AB  
POLICY OF AVOIDING CONFLICTS OF INTEREST**

**1. GENERAL PROVISIONS**

- 1.1. This Macte invest FM AB (hereinafter – Broker) policy of avoiding conflicts of interest (hereinafter – the Policy) has been prepared in accordance with the Law on Markets in Financial Instruments of the Republic of Lithuania (hereinafter – the Law), the rules on the organization of the activities of financial brokerage firms approved by the Board of the Bank of Lithuania 2018 June 20 by resolution No. 03-111 (hereinafter – the Rules), Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (hereinafter – Delegated Regulation) and other legislation.
- 1.2. The Policy aims to set out the situations that cause or may cause conflicts of interest, sources of such conflicts and measures which need to be followed in order to manage or avoid conflicts of interest.
- 1.3. The types of conflicts of interest that arise in the course of providing investment and (or) ancillary services which are provided by the Broker or on behalf of a Broker and may damage client’s interests, shall be identified by the Broker according to the Policy by way of minimum criteria.
- 1.4. The Policy shall be approved by the Board of a Company. The Policy is part of Broker’s risk management procedure.
- 1.5. Provisions of the Policy are applicable to all Broker’s clients.

**2. TERMS AND DEFINITIONS**

- 2.1. Terms used in the Policy shall be understood as follows:

- 2.1.1. **Financial analyst** shall mean appropriate person who prepares investment research data.
- 2.1.2. **Persons shall** mean Broker, Broker's corporate group, employees and relevant persons.
- 2.1.3. **Personal transaction** shall mean transaction of financial instrument which is concluded by a relevant person or for relevant person's benefit and satisfies one of the following criteria:
- 2.1.3.1. that relevant person acts above powers conferred on him/her;
  - 2.1.3.2. transaction is concluded with any of these persons – relevant person, other person who is family member or has close personal relationships with relevant person, other person who is directly or indirectly concerned in transaction's result but not including interest in remuneration or commission for transaction's execution.
- 2.1.4. **Compliance specialist** shall mean employee who is responsible for Broker's compliance administration.
- 2.1.5. **Employee** shall mean all Broker's staff.
- 2.1.6. **Financial instruments** shall be understood as defined in the Law.
- 2.1.7. **Corporate Finance Advisory Services** shall mean activity which consists of subscription of financial instruments or otherwise relating to the publication of financial instruments or proposal for financial instruments' purchase or sale. Services also include consultancy of companies on mergers and acquisitions, sale and reorganization issues, especially regarding companies listed in the stock exchange as well as brokerage services liaising between financial instrument buyers and sellers.
- 2.1.8. **Client** shall mean natural or legal person to whom Broker provides investment services and (or) any other ancillary services. Client can be retail client, professional client or any other appropriate party to the transaction.
- 2.1.9. **Conflicts of Interest** shall mean situation where interests of different parties are in conflict with each other. Such conflicts may arise in following circumstances:
- 2.1.9.1. Broker's interests are in conflict with client's interests;
  - 2.1.9.2. Client's interests are in conflict with other client's interests.
- 2.1.10. **Investment recommendation** shall mean advice of a personal nature regarding one or several financial instruments which can be related to one or more transactions and initiated either by Broker or a client.

2.1.11. **Financial services** shall mean below-mentioned services provided by Broker regarding financial instruments:

2.1.11.1. Investment advice;

2.1.11.2. Management of financial instrument portfolio;

2.1.11.3. Acceptance and transmission of a transfer;

2.1.11.4. Execution of a transfer on behalf of a client;

2.1.11.5. Formation of transactions on behalf of a client;

2.1.11.6. Distribution of financial instruments without an obligation to distribute

2.1.12. **Investment research** shall mean research or other format analysis (that is not considered an investment recommendation) which directly or indirectly offers or recommends an investment strategy relating to one or several financial instruments or their issuers, including expressed opinions on the current or future value of such financial instruments, which is intended for information distribution channels or the public and is identified as an investment research or defined with a similar definition or is otherwise presented as an objective and independent study.

2.1.13. **Ancillary services** shall be understood as defined in the Law.

2.1.14. **Portfolio management** shall mean management of the portfolio of financial instruments in accordance with mandates given by clients on a discretionary client-by-client basis.

2.1.15. **Transactions on behalf of employee's personal account** shall mean transactions concluded by employee or on behalf of employee's personal account.

2.1.16. **Relevant person** shall mean any of the following persons:

2.1.16.1. Broker's head of administration, partner, tied agent or other person in a similar position;

2.1.16.2. Broker tied agent's head, partner or other person in a similar position;

2.1.16.3. Employee of Broker or Broker's tied agent as well as any other natural person, who is present when providing investment services or during the transactions, and who provides services on behalf of or is controlled by Broker or Broker's tied agent;

2.1.16.4. Natural person who is directly involved in the provision of services to the Broker or to its tied agent under an outsourcing agreement which aims to ensure that Broker is able to provide investment services.

2.1.17. **Broker's corporate group** shall mean corporate group, constituting of parent and subsidiary companies and any other companies which are related by management, as well as any other related companies which have to prepare a set of consolidated financial statements and a set of annual consolidated financial statements and which are affiliated with the Broker.

2.1.18. **Broker's internal documents** shall mean documents (e.g. policies, regulations, instructions, orders, decisions) approved by the Broker's board which regulate investment and (or) ancillary services.

2.1.19. **Third party** shall mean any natural or legal person who is unrelated to the Broker and to a client.

2.2. Other terms used herein are to be understood as they are defined by the Law and the Rules.

### **3. SITUATIONS THAT MAY CAUSE CONFLICTS OF INTEREST**

3.1. The Broker or relevant person is likely to make financial gain or avoid financial loss at the expense of a client;

3.1.1. Broker or relevant person have an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is different from the client's interest in that outcome;

3.1.2. Broker or relevant person have financial or other incentive to favor the interest of other client or group of clients over the interests of the client;

3.1.3. Broker or relevant person carries on the same activity as the client;

3.1.4. Broker or relevant person who receives or will receive an inducement from a person other than a client, in the form of money, goods or services, other than a standard commission or fee for that service, in relation to a service provided to the client.

### **4. AREAS IN WHICH CONFLICTS OF INTEREST MAY ARISE**

4.1. Following areas should be thoroughly evaluated before providing specific services as it may give rise to a conflict of interest:

4.1.1. Investment research and/or marketing communication (hereinafter – Investment research) – information according to which clients can make appropriate decisions regarding investment.

- 4.1.2. Investment recommendation – approach who could advice on investment profitability and receive individual consultations which correspond with each client's needs.
- 4.1.3. Portfolio management – it aims to maximise the profit of portfolios which correspond with the investment criteria. Persons who manage portfolios shall make decisions which are to the best interests of the specific client and do not impair other clients' interests.
- 4.1.4. Trade of financial instruments on Broker's account – it aims to maximise the profit from assumed positions or manage risks. Theoretically, conflict of interest may exist between this and the following:
  - 4.1.4.1. Interests of clients who during the process of investment of personal funds conclude transactions with Broker;
  - 4.1.4.2. Investment research, investment recommendation and portfolio management activities of the Broker as well as activities relating to the market maker's functions.
- 4.1.5. Transactions on behalf of employee's personal account – employees can conclude transactions on personal account and in certain circumstances their interests can conflict with Broker's or Broker clients' interests (or be improperly superior to them).
- 4.1.6. Corporate finance advisory services – this activity enables Broker to learn client-issuer information which theoretically, could be used inappropriately and cause conflicts of interest.
- 4.1.7. The trade on the behalf of clients – when executing client's transactions or concluding arrangements in client's name, employees identify sensitive information relating to client's financial status. Theoretically, this type of information can be used adversely to create conflicts of interest.
- 4.1.8. Risk management function - Broker's internal risk management and other administrative procedures which aim to protect Broker's interests from assumed financial risks. This function includes credit and market risk analysis and management. Relevant employees by administrating this function receive confidential information. This information is protected by establishing adequate internal procedures in the company.
- 4.1.9. Clients are specifically informed of the possible risks of conflicts of interest if they arise in areas which are not specified in the Policy.

## **5. MEASURES OF AVOIDING AND MANAGING CONFLICTS OF INTEREST**

### **General requirements**

- 5.1. In order to avoid possible conflicts of interests and possibility that services provided inadequately can cause damage to the client's interests, it is forbidden for the employees to exchange information related to the services provided or prospect investment services if the exchange of information is not necessary for provision of services and (or) it may harm client's or Broker's interests. When exchange of information is necessary in order to ensure quality service, it is obligatory to consult with the compliance specialist and assess the significance of a risk that client's interests might be harmed.
- 5.2. The system of employees' earnings and promotions is established taking into account employee's endeavor to minimize the risk of conflicts of interests, endeavor to discourage Broker's employees to take unreasonable risks as well as endeavor to uphold the principle of clients' interests' protection. The policy governing employees' earnings is separate.
- 5.3. Employees who provide separate services to the client at the same time, must inform and consult with compliance specialist and evaluate significance of the risk that client's interests may be impaired if there is a conflict of interests.
- 5.4. Employee acts independently when providing services to the client, i.e. it is forbidden for the employee to adversely influence or give additional instructions regarding the provision of services if conflict of interest exists.
- 5.5. In case of Broker's evaluation that existing measures are insufficient to avoid conflicts of interest, it is obligatory to inform the client before providing services about the conflict of interest or to refuse providing the service.
- 5.6. Actions of employees who provide services to the clients are regularly inspected by compliance specialist in order to avoid, manage and/or identify conflicts of interest.
- 5.7. It is forbidden for the employees to conclude or recommend to concluding transactions of financial instruments which exclusively aim to receive commissions or other financial benefit inconsiderate of the best client's interests. It does not mean that Broker cannot conclude transactions with the client as being one party to the agreement but in circumstances when Broker is a party to the client's financial instrument's transaction, additional measures should be taken in order to manage conflicts of interest. The crucial measure is that Broker's market risk should be managed by concluding full mirroring transactions or by other measures fully eliminating the risk related to the client's transactions and such insurance agreements have to be concluded with subjects who are not part of the Broker's corporate group. Only when Broker is fully insured client's result of a transaction is not significant and therefore Broker's interests are not in conflict with the client's.
- 5.8. It is forbidden for the employee to conclude transactions on behalf of the Broker and on behalf of oneself if the client's order was received for the same financial instrument.

- 5.9. Transfers received from the separate clients shall be executed in transfer obtainment order, i.e. transfers received at the earliest should be executed first.
- 5.10. If the interests of the Broker, employee and client clash, priority shall be given for the client's interests. The content of such conflict must be clearly and comprehensively set out for all parties of the conflict and transaction can be concluded only when all parties agree. In the case of conflict of interest when Broker is a party to the transaction, clients are informed by making an agreement and by signing the agreement the client expresses consent for the Broker to operate in such circumstances.
- 5.11. In order to manage possibility of conflicts of interest arising, there is a list of people who know or have a right to know publicly undisclosed information as well as a list of financial instruments which are forbidden to buy, sell (or conclude other transactions) for Broker's employees, shareholders or members of a board due to Broker's possession (knowledge) of publicly undisclosed information (Annexes No. 1, 2) as well as other documents are concluded in order to minimize the risk of conflicts of interest arising.

#### **Requirements for managers of a Broker's structural departments**

- 5.12. Every manager of a Broker's structural department shall seek to avoid the risk of conflicts of interest arising in the department and ensure that client's interests are respected if such situation appears.
- 5.13. Manager of a Broker's structural department must ensure that employees of that department are acquainted with the rules and measures of conflicts of interest stated in the Policy and other related internal documents as far as they are applicable to a certain department.
- 5.14. Every Broker's structural department where there is a theoretical possibility of conflicts of interest, taking into account areas stated above in the Policy, must ensure that all necessary and applicable measures are taken to avoid conflicts of interests arising.
- 5.15. In a case of a possibility of conflict of interest or conflict of interest arising, which may in principle affect client's who receives financial and (or) ancillary services interests and when such conflict is related to a specific activity or position of the Broker, employees of a structural department need to inform direct manager and compliance specialist. Direct manager and compliance specialist, according to the competence, have to report it to the Broker's heads.

#### **Requirements and measures for financial analysts when preparing investment research and marketing communication**

- 5.16. Financial analysts who develop investment research are forbidden to:
  - 5.16.1. Change information or monitor the change of information among the employees if this action could impair client's interests;

- 5.16.2. Take incentive from subjects having essential interests relating to the object of the investment research;
  - 5.16.3. Promise favorable outcome of the research;
  - 5.16.4. Participate in related activity at the same time;
  - 5.16.5. Trade in the name of other person (including the Broker) or conclude personal transactions regarding the investment research until the research recipients have the possibility to properly use it. This prohibition does not apply in exceptional circumstances and on receipt of compliance specialist prior confirmation;
  - 5.16.6. Provide preliminary research project to issuers, relevant persons or any other person in order to verify factual information or for any other purpose until the research project is published if research includes recommendation or targeted value.
- 5.17. Broker employs following measures to avoid conflicts of interest:
- 5.17.1. Individual governance – financial analysts are governed by the managers of department and if required, consulted by compliance specialist;
  - 5.17.2. Absence of a direct link between the outcome of the investment research and financial analyst's earnings;
  - 5.17.3. Limitation of inappropriate influence – financial analysts are governed by law and apply professional knowledge when preparing investment research;
- 5.18. This section does not apply if Broker distributes investment research/general recommendations prepared by other persons and following conditions are satisfied:
- 5.18.1. Author of the recommendations is not part of the group which Broker is affiliated with;
  - 5.18.2. Broker does not amend recommendations in principle;
  - 5.18.3. Broker does not present research as its own;
  - 5.18.4. Requirements (regarding production of investment research and conflicts of interest management) for an author are not less robust than those required by EU legislation or author personally has developed policy which sets out equivalent requirements as per EU legislation.

**Additional requirements relating to subscription and distribution of financial instruments.**

- 5.19. This section applies in situations where Broker provides the client-issuer with consultancy services (consult companies on capital structure, industry strategy and related issues as



well as providing advice on mergers and acquisitions) and distribution of financial instruments.

- 5.20. When setting the price for the services, Broker should ensure that interests of clients or Broker do not conflict with the interests of the client-issuer; situations where employees responsible for the services to the clients-investors directly participate in making decisions on the price of consultancies on financial instruments to clients-issuers, shall be avoided.
- 5.21. Broker cannot take commission to manage issuer proposal if according to the available information or information provided by the client-issuer, it is evident that client-issuer's interests can be impaired and the Broker cannot effectively manage the risk.

## **6. DATA PROTECTION**

- 6.1. Broker needs to protect and regularly update information, by the rules established in law and internal procedures, on investment services, ancillary services and other investment additional services provided by the Broker or in his name which have caused (or may cause) conflicts of interest and can harm interests of one or more clients.
- 6.2. Information on investment services or ancillary services which are provided and which have caused (or may cause), as well as all reports and communication on known conflicts of interest, need to be stored for at least 10 years after the conflict of interest was discovered.

## **7. DISCLOSURE OF CONFLICTS OF INTEREST**

- 7.1. Disclosure of information on conflicts of interest is an extreme measure when Broker's established measures are judged to be insufficient to effectively ensure that client's interests are not impaired.
- 7.2. In disclosing the information, the client must be clearly notified that Broker's established measures to prevent conflicts of interest and taken actions to minimize the risk of conflicts of interest are insufficient to make sure that client's interests are not impaired.
- 7.3. If despite the Broker's preventative measures, conflicts of interest may still arise, before providing investment and (or) ancillary services Broker needs to clearly, comprehensively (i.e. taking into account client's knowledge of the financial instruments' Market) and in writing inform the client about occurred conflict of interest as well as the value of Financial Instruments' market which was established later. The client can be informed by providing application form set out in Annex No. 3 or in a different way (e.g. by setting conflict of interest information in the contract and client is introduced with it by signing. Information

on the conflict of interest can be communicated on the phone or video communication devices if it is recorded and can be shown as an evidence later).

- 7.4. Disclosure of conflicts of interest must include client's notification of existing conflict of interest and content and source of such conflict as well as client needs to be informed of possible adverse effects to client's interests and benefits which Broker or other persons get or are able to get because of a conflict.
- 7.5. Client's initial indication in the contract of provision of investment services or in related documents that the client does not object (if agrees) that the Broker shall provide investment services regarding financial instruments in the presence of a conflict of interest, does not amount to sufficient and adequate informing of a client about the conflict of interest if required information set out in section 7.4 of the Policy is not provided.
- 7.6. Investment service can only be provided when client clearly expresses the consent for provision of service regardless of existing conflict of interest.
- 7.7. If employee notices circumstances which, in his/her opinion, may cause conflicts of interest which will have significant effect on client's interests, it is obligatory to report it to the direct manager and compliance specialist. Direct manager and compliance specialist, according to the competence, have to report it to the Broker's heads.

## **8. BROKER'S INTERNAL PROCEDURES**

- 8.1. The list of financial instruments which may cause the conflict of interest must be prepared and constantly updated by the compliance specialist and approved by the board in order to avoid conflicts of interest (Annex No. 4). All employees providing financial services or other persons who are allowed to conclude transactions on behalf of the Broker, must be acquainted with the list.
- 8.2. Compliance specialist must constantly monitor transactions of financial instruments which may cause conflicts of interest and if infringement is recorded, the head of Broker's administration and internal auditor must be immediately informed in writing.
- 8.3. The Policy must be reviewed on a yearly basis (if required – more frequently) by compliance specialist in order to ensure that the Policy is still effective and accordingly make specific amendments if needed.

## **9. FINAL PROVISIONS**

- 9.1. The Policy shall enter into force on the date of its approval.

- 9.2. The Policy may be revoked, amended and / or supplemented only by the decision of the Board of the Broker and shall enter into force on the day following the adoption of such amendments and / or additions, unless another effective date is specified.
- 9.3. The Broker's manager or a person appointed by the Broker must ensure that the Broker's employees are informed in a timely manner about the changes and / or additions to the Policy. By signing employees agree that they have been introduced with the Policy and (or) its changes and amendments.
- 9.4. Annexes provided with the document are integral part of the Policy.

*List of Annexes:*

Annex No. 1: List of people who are entitled to know publicly disclosed information.

Annex No. 2: List of financial instruments which are forbidden to buy, sell (or conclude other agreements) for Broker's employees, shareholders and members of a board due to Broker's possession (knowledge) of publicly disclosed information

Annex No. 3: Form acknowledging client's introduction to the conflict of interest.

Annex No. 4: List of financial instruments which are potential to cause conflicts of interest

**PERSONS WHO ARE ENTITLED TO KNOW PUBLICLY UNDISCLOSED INFORMATION**

<b>Position</b>	<b>Full Name</b>	<b>Signature</b>

**Financial Instruments which are forbidden to be traded (or conclude other transactions for Broker's employees, shareholders and members of a board due to Broker's possession (knowledge) of publicly undisclosed information**

**LIST**

<b>Market</b>	<b>Financial Instruments</b>

**ACKNOWLEDGMENT OF INTRODUCTION TO THE CONFLICT OF INTEREST**

202[...] - [...] - [...]

Full name of a person acquainted with the conflict of interest (name of a legal person) (Representative's of a legal person full name and position)	
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Description of a conflict of interest:

1. Financial instrument, code, type	
2. The latest market value of financial instrument	
3. Circumstances of a conflict of interest	
4. Matter and cause of the conflict of interest	
5. Possible benefit and negative impact on the client's interests	

BY SIGNING BELOW, PERSON CONFIRMS THAT HE/SHE WAS ACQUAINTED WITH THE CONFLICT OF INTEREST AND ACCEPTS THAT INVESTMENT SERVICES CAN BE PROVIDED DESPITE THE CONFLICT OF INTEREST DESCRIBED IN THE DOCUMENT.

Full name and signature of a person acquainted with the Policy	
<b>MACTE INVEST FM AB Employee's full name and position</b>	

**Financial instruments which are potential to cause conflicts of interest**

**LIST**

<b>Market</b>	<b>Financial Instrument</b>

**Broker's employees acquainted with the list provided above:**

<b>Position</b>	<b>Full name</b>	<b>Signature</b>