

## **Appendix No. 3 to GENERAL TERMS AND CONDITIONS APPLICABLE TO THE CONTRACTS WITH CLIENTS**

### **POLICY FOR HANDLING CONFLICTS OF INTEREST AND RULES ON THE INCENTIVES OF INVESTMENT INTERMEDIARY TBI Bank EAD**

#### ***Section I. Policy for Handling Conflicts of Interest.***

**Art. 1. (1)** This Policy for Handling Conflicts of Interest of Investment Intermediary („IF”) „TBI BANK” EAD („Policy”) has been adopted on the grounds of Art. 65 para. 1, pt. 7 of MFIA regarding the requirements to the internal organization of the investment firm.

(2) By signing a contract for the provision of investment and / or ancillary services, the client agrees that, in the treatment of conflicts of interest, the IF will act in accordance with its Conflict of Interest Policy, and accordingly declares that he agrees with this Policy.

(3) The Client is entitled to receive from the IF the Policy for the Treatment of Conflicts of Interest on a durable medium before concluding a contract for the provision of investment or ancillary services.

**Art. 2. (1)** Conflict of interests is a situation, which arises in relation to providing of investment and ancillary services by the IF, and may damage the interests of a client.

**(2)** In establishing the types of conflicts of interest which arise as a result of the provision of investment and/or ancillary services and whose existence may prejudice a client's interest, the IF takes account of, applying minimum of criteria, the circumstance whether it, a person, who works under a contract for it, or a person, directly or indirectly linked by control to the investment intermediary, falls within one of the following cases as a result of the provision of investment and/or ancillary services or otherwise:

1. is likely to make a financial gain, or avoid a financial loss at the expense of the client;
2. has an interest in the outcome of a service provided to the client or a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
3. has a financial or other incentive to favor the interest of another client or a group of clients over the interests of the client;
4. carries on the same business as the client;
5. receives or will receive from a person other than the client, benefits in connection with provided to the client service, in the form of cash, goods or services or other than the standard fee or commissions for that service

**Art. 3.(1)** A person who works under a contract for the IF and engages in activities that may give rise to a conflict of interest or which, by virtue of his activities for the investment firm, has access to inside information within the meaning of Regulation (EU) No 596/2014 and the Law on the Application of Measures against Abuse of the Markets in Financial Instruments or other confidential information of clients or transactions with or for clients, cannot:

1. enter into personal transactions that meet any of the following conditions:
  - a) ) their conduct by that person is prohibited by the acts under para. 1;
  - b) ) they are related to misuse or unlawful disclosure of confidential information;
  - c) ) their conduct contradicts or may lead to contradiction to the obligation of the IF pursuant to Directive 2014/65/ES and/ or MFIA or its implementing regulations;

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2. provide advice or assistance other than his/her normal work for the IF to another person who shall enter into a transaction with financial instruments, which, if it were a personal transaction of the person working under employment contract for the IF, would be prohibited by the law.
3. disclose beyond his/her usual work for the IF information or opinion of another person, provided that the person working under employment contract for the IF knows or may be reasonably supposed to know that as a result of that disclosure, the person will or is likely to perform any of the following action:
  - a) to enter into a transaction with financial instruments, which, if it were a personal transaction of the person working under employment contract for the IF, would be prohibited pursuant to the law;
  - b) to provide advice or assistance to another person to enter into transaction pursuant to letter "a".

**Art. 4 (1).** In its activity, the IF treats the following actions as circumstances with conflicting potential:

1. accepting and executing large orders for transactions in shares representing more than 5 per cent of the capital of the respective company;
2. placement of financial instruments issues where a transaction is executed on behalf of a client with whom the IF has a portfolio management contract without special orders;
3. the conclusion of transactions with financial instruments between two IF clients, where there is "contracting with yourself";
4. registration of transactions in the Central Depository with dematerialized securities concluded directly between the parties, which are respectively a client of the IF and a member of its managing body, respectively, a person working under a contract for the IF;
5. executing transactions in financial instruments at the expense of customers where the IF has to deviate from the parameters of the orders given by the clients.

**Art. 5. (1)** The IF shall constantly monitor the conflicts that may arise between:

1. the interests of its individual clients;
2. the interests of individual clients and its own interests;
3. the interests of individual clients and the interests of its shareholders, members of its management body, as well as persons working under contract for it.

(2) When managing the conflicts of interest under para. 1 the IF observes the following basic principles:

1. the maximum disclosure of information to the client for both potential and specific conflicts of interest, provided that the interest and / or business secrets of another client are not jeopardized;
2. obligatory acquainting the client with the general terms and conditions applicable to client contracts;

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3. equal and fair treatment of customers;
4. concluding transactions in securities under the best conditions for the client;
5. confidentiality - members of its management and controlling authority and persons working under a contract for it may not disclose, unless they are authorized to do so, and use for the benefit of themselves or other persons, any facts and circumstances concerning the balances and the operations on the financial instruments and money accounts of the investment intermediary's clients, as well as all other facts and circumstances representing trade secrets which they have learned in the course of their official and professional duties;
6. notifying the Head of Internal Control of the Investment Intermediary about the existence of transactions with conflicting potential, who should assist in resolving the conflict if such arises.

(3) Where the principles of pts. 1, 3, 4 and 5 of the preceding paragraph cannot be complied with or where the conflict cannot be resolved, the IF shall refuse to execute the relevant transaction / service.

### ***Section II. Incentive policy.***

**Art.6. (1)** The IF should take all appropriate steps to identify and prevent or manage conflicts of interest, including those caused by the receipt of incentives from third parties or by the remuneration of the IF and other incentive structures.

(2) The IF should ensure that all fees, commissions or non-cash benefits paid or received by the IF are either transferred to the client or designed to improve the quality of the service for the client.

(3) The fee, commission or non-monetary benefit is considered to be intended to enhance the quality of the relevant service for the client if all the following conditions are met:

(a) it is justified by the provision of an additional service or service at a higher level to the relevant client proportional to the level of the incentives received, such as:

i providing non-independent investment advice on a wide range of appropriate financial instruments, as well as access to the same set of instruments including an appropriate number of third-party instrument suppliers that do not have close links with the IF,

ii providing non-independent investment advice together with an offer to the client, at least on an annual basis, to assess whether the financial instruments in which the client has invested, are still appropriate, or with another ongoing service that is likely to be valuable to the client, such as advice on possible optimal allocation of client assets, or

iii. providing access at a competitive price to a wide range of financial instruments that are likely to meet the client's needs, including an appropriate number of third-party suppliers of products that do not have close links with the investment firm, along with the provision of instruments with added value, such as objective information instruments, assistance to the relevant client in taking investment decisions or enabling the client to monitor, model and adjust the scope of financial instruments, in which the investment is made or by providing periodic reports on the returns of the financial instruments and the related costs and charges.

(b) it does not directly benefit the receiving company, its shareholders or employees without substantial benefit for the client concerned;

(c) it is justified by the provision of a current benefit to the client in relation to a current incentive. The fee, commission or non-monetary benefit is not considered acceptable if the provision of the relevant services to the client is biased or disrupted as a result of the fee, commission or non-monetary benefit.

(3) When providing investment advice on an independent basis and portfolio management services, fees, commissions or non-monetary remuneration paid or provided by a third person on behalf of the client should be permitted only to the extent that the relevant person

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is aware that such payments are made on behalf of that person and that the amount and frequency of each payment is negotiated between the client and the IF and is not determined by a third party. Cases that would meet this requirement, include cases where a client pays an invoice directly issued by the intermediary, or where that invoice is paid by an independent third party that is not related to the IF with respect to the investment service provided to the client and acts solely on instructions of the client, as well as the cases where the client agrees to a fee for a service provided by the investment intermediary and pays the respective fee.

**Art. (7)** The IF keeps evidence that all fees, commissions or non-cash benefits paid or received by the intermediary are intended to enhance the quality of the relevant service provided to the client.

**Art. (8)** When providing investment advice in an independent manner or managing portfolios, the IF shall reimburse to the clients all fees, commissions or cash benefits paid or made available by a third party or person acting on behalf of a third party, in connection with the services provided to that client, as soon as reasonably possible after their receipt. All fees, commissions or cash benefits received from third parties in connection with the provision of independent investment advice or portfolio management are transferred entirely to the client.

**Art. (9)** When providing investment advice in an independent manner or managing portfolios, the IF does not accept non-cash benefits that do not meet the conditions of acceptable minor non-cash benefits. Acceptable minor non-cash benefits are reasonable and proportionate and of a size that is unlikely to affect the behavior of the Investment Intermediary in any way that would harm the interests of the relevant client. The disclosure of minor non-cash benefits is made prior to providing the client with the relevant investment or ancillary services.

**Art. (10)** (1) The following benefits are considered acceptable minor non-monetary benefits only if they represent:

(a) information or documentation relating to a financial instrument or an investment service that is of a general nature or is personalized to reflect the circumstances of an individual client;

(b) Written materials from a third party that are ordered and paid by a corporate issuer or a potential issuer to promote a new issue of the company, or when there is a contract concluded with the third party company and it has received a payment from the issuer to prepare such materials on an ongoing basis, provided that the relationship is clearly disclosed in the materials and that the materials are provided simultaneously to all investment intermediaries wishing to receive them or to the general public;

(c) participation in conferences, seminars and other training events on the benefits and characteristics of a specific financial instrument or an investment service;

(d) representative costs of a reasonable de minimis value, for example for food and drinks at a business meeting or conference, seminar or other training events referred to in point (c); and

(e) other insignificant non-monetary benefits which a Member State considers to enhance the quality of the service provided to a client and having regard to the overall level of benefits provided by a given entity or group of entities, are of a size and nature that is unlikely to prevent the Investment Intermediary from fulfilling its obligation to act in the best interests of the client.

**Art. (11)** (1) The provision of a third party survey to the IF, carrying out portfolio management or other investment or ancillary services for a client, shall not be considered as an incentive if it is received in return for any of the following:

(a) direct payments from the IF's own resources;

(b) payments for the survey from a separate payment account controlled by the IF, provided that the following conditions concerning the management of the account are met:

i. the payment account used for the survey is funded by a special study fee charged to the client,

ii. as part of the establishment of a payment account for surveys and reconciliation of the survey fee with its clients, the IF shall establish and carry out a regular assessment of the survey budget as an internal administrative measure,

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- iii. The IF is responsible for the payment account for studies,
- iv. The IF regularly evaluates the quality of the surveys purchased, based on solid quality criteria and their ability to contribute to better investment decisions.

**Art. 12 (1)** With regards to Art. 11 (b), when the IF uses the payment account for surveys, it provides the following information to the clients:

- (a) prior to the provision of an investment service to clients - information on the amount of the survey amount foreseen in the budget and the amount of the estimated survey fee for each of them,
- (b) annual information on the total costs incurred by each of them for surveys carried out by third parties.

#### **Section III. Final provisions**

**Art. (13)** By signing the General Terms and Conditions applicable to the contracts with clients for the provision of investment and ancillary services, the client declares that he is aware of this policy on handling of conflicts of interest and incentive rules, he has reviewed it, understands it and accepts it.