

BROCTAGON EXCHANGE LTD SUMMARY OF CONFLICTS OF INTEREST POLICY

Last updated on October 19th, 2016

1. Introduction

This summarised Conflicts of Interest Policy (“**the Policy**”) is provided to you (our Client or prospective Client) in accordance with the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and Other Related Matters Law 144(I)/2007, as subsequently amended from time to time (“**the Law**”), pursuant to which Broctagon Exchange Ltd (“**the Company**”) is required to take all reasonable steps to detect and avoid conflicts of interest.

The Company is committed to act honestly, fairly and professionally and in the best interests of its Clients and to comply, in particular, with the principles set out in the above Law when providing investment services and other ancillary services related to such investment services.

The purpose of this document is to set out the Company’s approach in identifying and managing conflicts of interest which may arise during the course of its normal business activities. In addition, this document identifies circumstances which may give rise to a conflict of interest.

2. Scope

The Policy applies to all its directors, employees, any persons directly or indirectly linked to the Company (hereinafter called “**Related Persons**”) and refers to all interactions with all Clients.

3. Criteria of identifying conflicts of interest

For the purposes of identifying the types of conflicts of interest that may arise in the course of providing investment and ancillary services or a combination thereof and whose existence may damage the interest of a Client, the Company takes into account, by way of minimum criteria, the question of whether the Company or a Relevant Person, or a person directly or indirectly linked by control to the Company, is in any of the following situations, whether as a result of providing investment or ancillary services or investment activities or otherwise:

- (a) The Company or a relevant person 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;
- (b) The Company or a relevant person has a financial or other incentive to favour the interest of another Client or group of Clients over the interests of the Client;

- (c) The Company or a relevant person receives or will receive from a person other than the Client an inducement in relation to a service provided to the Client, in the form of monies, goods or services, other than the standard commission or fee for that service;
- (d) The Company or a Related Person carries on the same business as the Client;
- (e) the Company provides a service to a Client and the Company has a material interest in the transaction;
- (f) The Company acts as principal for the Client in relation to the transactions;
- (g) A transaction is effected in financial instruments in respect of which the Company may benefit from a commission, fee, or non-monetary benefit payable otherwise than by the Client;

4. Identification of Conflicts of Interest

When the Company deals with the Client, the Company, an associate or some other person connected with the Company may have an interest, relationship or arrangement that is material in relation to the Transaction concerned or that it conflicts with the Client's interest. While it is not feasible to define precisely or create an exhaustive list of all relevant conflicts of interest that may arise, as per the current nature, scale and complexity of the Company's business, the following list includes circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more Clients, as a result of providing investment services:

The Company may be matching the Client's Order in relation to financial instruments (e.g. Contracts for Differences ("CFDs"), FX Derivatives) with that of another Client by acting on such other Client's behalf as well as on the Client's behalf.

- (a) the Company may have an interest in maximizing trading volumes in order to increase its commission revenue, which is inconsistent with the Client's personal objective of minimizing transaction costs;
- (b) the Company's bonus scheme may award its employees based on the trading volume etc.;
- (c) the Company may receive or pay inducements to or from third parties due to the referral of new Clients or Clients' trading;

It should be noted that the above circumstances which constitute or may give rise to a conflict of interest, are not necessarily detrimental to the interests of Clients.

5. Procedures and Controls for Managing Conflicts of Interests

In general, the procedures and controls that the Company follows to manage the identified conflicts of interest include, but are not limited to, the following:

- (a) Effective procedures to prevent or control 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;
- (b) The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, Clients whose interest may conflict, or who otherwise represent different interests that may conflict, include those of the Company;
- (c) 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 of interest may arise in relation to those activities;
- (d) Measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;
- (e) A policy designed to limit the conflict of interest arising from the giving and receiving of inducements;
- (f) Chinese walls restricting the flow of confidential and inside information within the Company, and physical separation of departments;
- (g) Procedures governing access to electronic data;
- (h) Segregation of duties that may give rise to conflicts of interest if carried on by the same individual;
- (i) Prohibition of external business interests conflicting with our interests as far as the Company's officers and employees are concerned, unless Board of Directors approval is provided;
- (j) Establishment of in-house Compliance Department to monitor and report on the above to the Company's Board of Directors;
- (k) A "need-to-know" policy governing the dissemination of confidential or inside information within the Company;
- (l) Appointment of Internal Auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors;
- (m) Establishment of the "four-eyes" principle in supervising the Company's activities;
- (n) Measures to prevent or control the simultaneous or sequential involvement of a Related Person in separate investment services where such involvement may impair the proper management of conflicts of interest;
- (o) The Company undertakes on-going monitoring of business activities to ensure that internal controls are appropriate;
- (p) Establishment of Personal Transactions Policy;
- (q) Staff members are required to immediately notify the Company in case they perceive that a conflict of interest may be created due to the undertaking of a specific task/work;
- (r) Advises/recommendations on transactions are prohibited;
- (s) Staff members are forbidden to accept gifts, promotions, discounts or any other monetary or benefit in kind from Clients or third parties, which may create conflicts of interest. Gifts of low value may be accepted after approval from the Company;

- (t) In circumstances not covered by the points above and given the nature of a conflict of interest situation, the Compliance Officer and/or the Senior Management shall decide whether to allow a transaction by notifying the Client, or not allow the transaction all together;

6. Client's Consent

By entering into a Client Agreement with the Company for the provision of Investment Services, the Client is consenting to an application of this Policy on him. Further, the Client consents to and authorizes the Company to deal with the Client in any manner which the Company considers appropriate, notwithstanding any conflict of interest or the existence of any material interest in a Transaction, without prior reference to the Client. In the event that the Company is unable to deal with a conflict of interest situation it shall revert to the Client.

7. Disclosure of Information

If during the course of a business relationship with a Client or group of Clients, the organizational or administrative arrangements/measures in place are not sufficient to avoid or manage a conflict of interest relating to that Client or group of Clients, the Company will disclose the conflict of interest before undertaking further business with the Client or group of Clients.

8. Amendment of the Policy and Additional Information

The Company reserves the right to review and/or amend its Policy and arrangements whenever it deems this appropriate without notice to the Client. Should you require any further information and/or have any questions about conflicts of interest please direct your request and/or questions to info@brocexchange.com.