

## CONFLICT OF INTEREST POLICY FOR INVESTMENT AND ANCILLARY SERVICES OF DSK BANK AD

### I. The purpose of the Conflict of Interest Policy

1. DSK Bank AD is a legal entity entered in the Trade Register with the Registry Agency under UIC 121830616, with head office and management address at: 19, Moskovska Str., Sofia 1000, tel.: \*2375 (for mobile operators) / 0700 10 375, fax: (+359 2) 9076 499, e-mail: call\_center@dskbank.bg, website: www.dskbank.bg, hereinafter referred to as "the Bank", provides investment and additional services to its clients.
2. In view of the requirements of the Markets in Financial Instruments Act /MFIA/, as well as 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 organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (hereinafter: Delegated Regulation 2017/565), the Bank is obliged to consistently execute the orders of its clients on terms most favourable to the client, and to indicate the execution venues that enable the Bank to obtain, on a consistent basis, the best possible result for the execution of the orders of its clients.
3. The Conflict of Interest Policy summarises the circumstances that lead or may lead to a conflict of interest potentially causing adverse consequences for the client. The Conflict of Interest Policy comprises the policy as required in the MFIA, Delegated Regulation 2017/565 and other related legal acts, but does not present the entirety of the regulations and policies followed by DSK Bank in the course of performing its investment services and ancillary services.
4. In the course of its activities, the Bank shows due professional care as may be expected from a credit institution and thus gives priority to the clients' interests in each phase of its service. The Bank seeks to foster long-term relationships with its clients and improve client satisfaction. To gain the trust required for this, the Bank ensures that the clients interests are given ample protection.
5. In the present Conflict of Interest Policy, the Bank specifies those circumstances within the framework of its investment and ancillary services and the related financial services that lead or may lead to a conflict of interest that potentially cause adverse consequences for the clients. The Policy also defines those detailed procedural rules and measures that allow the prevention, identification and management of such conflict of interest situations that are potentially prejudicial to the clients.
6. By taking the necessary actions and putting appropriate procedures in place, the Bank seeks to ensure that any person associated with the Bank learn about and fulfil the requirements specified in the internal regulations and refrain from showing any conduct that violate the provisions of these regulations.
7. On the basis of its duty specified in, Article 47 g) and h) of Delegated Regulation (EU) 2017/565 and in Article 65, para. 1 of MFIA through its Conflict of Interest Policy, the

Bank shall inform its clients of the methods and procedures applied by it to identify and manage conflict of interest.

## II. Interpretative provisions

**8. (1) Employee** - for the purposes of these Policy employees are persons having employment relationship with the Bank or other legal relationship for the performance of work in connection with the provision of investment and ancillary services.

**(2) Legal relationship for the performance of work** - for the purposes of these Policy they are arising pursuant to labour and civil contracts, concluded between the Bank on one side and its employees and external contractors on the other, in connection with the provision of investment and ancillary services, as well as management contracts with the members of the management and supervisory board.

## 9. Bank

DSK Bank AD

## 10. Person associated with the Bank:

For the purposes of the Conflict of Interest Policy, the following persons will qualify as persons associated with the Bank:

- a. members of the Management Board and the Supervisory Board of the Bank and their partners or equivalent;
- b. any tied agent, CEO or procurator of any tied agent of the Bank and their partners or equivalent;
- c. an employee of the Bank or the Tied Agent, or any other natural person providing services on behalf of and under the control of the Bank or its tied agent, and involved in the performance of the Bank's investment services and activities;
- d. all natural person who is directly involved in the provision of services to the Bank or to its tied agent under an outsourcing arrangement for the purpose of the provision by the Bank of investment services and activities;
- e. a person directly or indirectly associated with the Bank by a control relationship.

## 11. Investment and ancillary services and activities:

any activity defined in Article 6, para. 2 - 3 of MFIA;

## 12. Relevant person:

For the purposes of the Conflict of Interest Policy, the following persons will qualify as Relevant persons:

- a. members of the Managing Board and the Supervisory Board of the Bank;
- b. tied agent, legal representative or procurator of a tied agent of the Bank;
- c. an employee of the Bank or of a tied agent of the Bank, as well as any natural person whose services are made available and under the control of the Bank or of a tied agent of the Bank, taking part in the provision of investment services and activities by the Bank;

- d. any individual who is directly engaged in the provision of services to an investment intermediary or its tied agent under an outsourcing arrangement for the provision of investment services and activities by the investment firm.

### **13. Durable medium:**

means any instrument which meets the conditions under Art. 3 of Delegated Regulation (EU) No 2017/565 and which enables the client to store information personally addressed to the client in a way accessible for future reference and for a period of time adequate for the purposes of the information and allows the unchanged reproduction of the information in the same format.

### **14. Client**

a natural person, legal person or other organisation without a legal personality to whom or which DSK Bank provides an investment or ancillary services. For the purposes of the Conflict of Interest Policy and with a view to information provision to, rating and pre-contract information collection obligation regarding clients, any person intending to use DSK Bank's investment or ancillary services is also considered a client.

## **III. The scope of the Conflict of Interest Policy**

15. The Conflict of Interest Policy defines the principles, procedures and control functions applicable to various situations related to the Bank's investment service activities and provision of ancillary services. As the Bank qualifies as a credit institution providing investment services, the scope of the Conflict of Interest Policy also extends to the relevant investment products and financial services provided by the Bank.

The material scope of the Conflict of Interest Policy does not cover those cases of conflict of interest that relate to the Bank's other financial services or activities.

16. With regard to DSK Bank as a member of OTP Group, the Conflict of Interest Policy takes into account the circumstances the Bank has or should have information about and that may result in conflicts of interest generated as a result of the other Group members' structure and business activities.
17. The Conflict of Interest Policy applies to the Bank, the Bank's Employees, persons associated with the Bank and to conflicts of interest/situations of conflicts of interest between:
  - a. the Bank and its Client(s);
  - b. the Bank's Employees, the other Person(s) associated with the Bank and the Clients;
  - c. clients or groups of clients.

## **IV. Circumstances leading to conflicts of interest**

18. The Bank examines situations potentially causing conflicts of interest from at least the following three aspects:

- a. from a consumer protection aspect, especially with regard to the information asymmetries between the Bank and the client;
  - b. from a market supervision aspect, including the examination of any inappropriate use of insider information;
  - c. from a prudential aspect, focusing in particular on fraud associated with by inefficiencies of process engineering or deficiencies in the internal control system or the internal procedural rules.
19. Any actual or potential conflicting interest that may have adverse consequences for the client must be considered a conflict of interest for the purposes of this Policy.

The cases examined by the Bank for conflict of interest include but are not limited to the following:

- a. the Bank or a person associated with the Bank is likely to gain a financial profit or avoid a financial loss to the detriment of a client;
  - b. the Bank or a person associated with the Bank has an interest concerning the result of a service provided to the client or the transaction performed on behalf of the client, which interest is different from the one of the client concerning result;
  - c. the Bank or a person associated with a Bank, due to some financial or other incentive, gives priority to the interest of another client or group of clients over those of the client;
  - d. the Bank or a person associated with the Bank has interests in the same transaction as the client;
  - e. the Bank or a person associated with the Bank receives any monetary or nonmonetary benefit, or incentive in the form of a service, or will receive that in connection with the service provided to the client.
20. When developing services and introducing products, the Bank will seek to prevent the arising of conflict of interests. If conflict of interest cannot be excluded in an area, the Bank will develop such an internal organisational management and regulation environment which can guarantee that such conflict of interest will not be detrimental to the clients. Nevertheless, it is not possible to exclude potential conflict of interest in the case of certain services and clients, not even after proper measures have been taken. The Bank will inform the client of these in advance and on a durable medium to allow the client to make an informed decision on whether the client wants to use the service.

## V. Management of conflicts of interest

21. All actual or potential conflicts of interest generated in the course of the Bank's activities and having or potentially having adverse effects for the client must be managed by the Bank. To avoid conflicts of interest adversely affecting the clients, the Bank makes sure that the Relevant persons involved in the various business activities resulting in a conflicts of interest perform their activities independently to the degree that it is appropriate to the activities and size of the activity of the Bank and the Banking Group, and the risk of the damage affecting the interests of the client.

22. To this end, the Bank:

- a. introduces effective procedures to prevent or control the information exchange between Relevant persons with a risk of conflicts of interest;
  - b. provides separate supervision in the case of persons whose primary functions include performing activities on behalf of or providing services to client whose interests may be in conflict or who may in any other way represent conflicting or different interests, including the interests of the Bank;
  - c. terminates all direct relationship between the remuneration of all Relevant persons performing primarily a specific activity and the remuneration to or the revenues generated by Relevant persons who primarily carry out a different activity, if there is any conflict of interest between those activities;
  - d. takes measures to prevent or restrict any person having unauthorized influence over how a Relevant person carries out his/her actions in relation to the Banks' investment or ancillary services or activities;
  - e. takes measures to prevent or control any Relevant person involved in different investment or ancillary services or activities simultaneously or in succession, if such involvement may hinder the appropriate management of conflicts of interest.
23. If the measures and procedures specified in the Conflicts of Interest Policy are not sufficient, the Bank will have the right to apply additional measures to manage risks caused by conflicts of interest.
24. If certain conflicting interests may result in a conflict of interest detrimental to and causing damage to the client and organisational and administrative solutions developed by the Bank are not sufficient to prevent it, the Bank will be required to disclose to the client the nature and source of such conflicting interests before undertaking business on its behalf. The Bank shall take all reasonable measures to eliminate any conflicts of interest that cause damage to the clients.
25. The Bank may only consider informing the client about the situation as the last resort in managing the conflict of interest if the effective organisational and administrative solutions developed by the Bank to prevent or manage conflicts of interest prove insufficient to prevent damage to the client's interests in a substantially reliable manner. The information thereby provided shall clearly state that the organisational and administrative solutions developed by the Bank to prevent or manage conflicts of interest prove insufficient to prevent damage to the client's interests in a substantially reliable manner. The information shall specifically describe the conflicts of interest that may surface when providing investment and/or ancillary services while taking into account the nature of the client receiving the information. The information provided to the client about the conflict of interest shall be detailed enough – including the general nature and sources of the conflicts of interest, the risks to the client as a result of the conflicts of interest, and the steps taken to mitigate such risks – to enable the client to make an informed decision about the investment or ancillary services with regards to which the conflicts of interest had surfaced.
26. The information about the conflicts of interest shall be provided to the client on a durable medium or, provided the relevant requirements are met, via the Banks' website.
27. The Bank uses in particular the following procedures and measures to discover, prevent and manage conflict of interest situations:

- a. the Bank has an independent compliance function and organisation whose tasks include, among others, the identification, prevention and management of conflicting interests and conflict of interest;
- b. the Bank uses internal procedures to ensure that conflicts of interest are discovered and identified when new products and services are introduced or existing services are provided to a new group of clients;
- c. the Bank uses methods of organisational separation, i.e. the physical separation of organisational units or other methods, including in particular the introduction of barriers of access to information, the management and control structure within the organisation, and the maintenance of a sufficient level of independence;
- d. the Bank has effective internal regulations and procedures in place that comply with the law and that prevent market abuse, including insider trading, the unlawful disclosure of insider information and market manipulation, and also prevent and abuse of the clients' confidential information protected by law or any other confidential information. For this purpose, the Bank will, among other measures, keep records of transactions made on the employees' own account as stipulated in and to the extent defined by law.
- e. the Bank tracks trading in financial assets/instruments and verifies the transfer of insider information in order to prevent its employees trading in their own name or on the Bank's account from carrying out any abuse of such information to the detriment of other capital market players.
- f. the Bank carries out the clients' instructions/orders in accordance with the Policy for Execution of Client Orders. The Policy allows potential conflict of interest to be avoided when the instructions/orders are carried out and the Policy ensures that orders/instructions are fulfilled transparently, in a manner and subject to the terms disclosed to the client in advance;
- g. the Bank develops its internal incentive schemes in a way that the clients' interests are given priority in each phase of the procedure. The Bank uses internal procedural regulations to guarantee that the client and groups of clients receive equal treatment;
- h. the Bank does not accept any amount or benefit if that does not comply with the criteria stipulated in Article 24 of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU on incentives and in the relevant laws.
- i. information to its clients about the general principles and the procedures applied by the Bank to investigate and manage conflicts of interest situations. If a client rated as a current or future retail client requests more information about the Conflict of Interest Policy, the Bank's Employees will provide the requested information;

The measures to prevention of conflict of interest are part of "Information about the investment services and activities provided by DSK BANK in its capacity of an investment intermediary", which means that the information is available to clients;

- j. the Bank provides information to clients in connection with services, products and conditions, and complies with the client protection requirements and recommendations when providing the information;

- k. the Bank monitors its Employees' own investment activities, external shareholdings and additional employment relationships/other forms of legal relationship for the performance of work;
- l. the Bank specifies rules applicable to its Employees for the provision and acceptance of financial and non-financial remuneration;
- m. the Bank arranges training for its Employees concerning the identification, prevention and efficient management of conflict of interest situations;
- n. in addition to providing custodian ancillary service, the Bank also performs an appraising and net asset value calculating functions; for this purpose, the Bank enforces compliance with the provisions of Art. 123a, Para 7 from Social security code on identifying, managing and publishing conflict of interest;
- o. the Bank identifies all potential conflict of interest that may originate from other activities of the Bank or the group, and implements appropriate procedures for their management. In the event the Bank cannot manage a specific conflict of interest by instituting appropriate procedures, it cannot participate in a given transaction;
- p. as an investment enterprise providing execution services and conducting safekeeping and administration activities, the Bank ensures that it has appropriate control mechanisms to manage any conflict of interest between the various clients using these activities and services;
- q. the Bank implements systems, control mechanisms and procedures designed to identify and prevent or manage conflicts of interest originating from the potential underpricing or overpricing of the issuing or the involvement of the affected parties in the process;
- r. the Bank establishes, introduces and maintains effective internal solutions, specifically controlled data transfer, to prevent or manage conflicts of interest that emerge when the persons responsible for providing services to investment clients are directly involved in the decision of the issuing client relevant to the recommendations given for the allocation;
- s. the Bank has systems, control mechanisms and procedures to identify and manage conflicts of interest that emerge when providing investment services to clients involved in a new issuing during which the Bank receives a commission, a fee or other monetary or non-monetary benefit with regards to the organisation of the issuing;
- t. the Bank develops, introduces and maintains clear and effective solutions to identify, prevent or manage any conflicts of interest, if it intends to deposit financial instruments issued by organisations belonging to the same group to its existing clients (including existing deposit clients of credit institutions and the investment funds managed by organisations belonging to their group);
- u. the Bank has solutions to identify, prevent or manage any conflicts of interest resulting from the loan or credit provided by the Bank or an organisation from the same group to the issuing client and it may be repaid from the revenues realised on an issuing;
- v. the Bank allows the information relevant to the financial situation of the issuer to be shared with organisations acting as lenders in the group, provided that such sharing

does not breaches the information restrictions implemented by the legal entity for the protection of the client and the relevant data protection legislation.

## VI. The Bank's procedure

28. Taking into account the statutory requirements, the regulatory authorities' expectations and best practice applied in business, the Bank will develop appropriate internal regulations allowing situations of conflict of interest to be detected and managed effectively. With the participation of the affected organisational units, the Bank monitors potential conflicts of interest, defines the general types of the given conflicts of interest and possible circle of cases and, on the basis of this, the conflict of interest criteria and the procedures and measures applied for their management.

29. When a new product or service is introduced, or a service is offered to a new group of clients, if the Bank discovers the conflict of interest related to the product and if they result in a conflict of interest for the purposes of this Policy, the organisational unit will propose an effective procedure to manage the conflict of interest.

30. The Bank shall keep, pursuant to the Rules, a Conflict of interest register of the investment services, ancillary services provided or investment activities performed by or on behalf of the Bank, during which any conflict of interest posing a risk of damaging the interest(s) of the client (s) occurred or may occur. This register will contain the measures and procedures applied in order to manage the identified conflicts of interest.

At least once a year, the Management Board of the Bank shall receive a written report on the current situations relevant to the Conflict of Interest register.

31. The Bank will continuously update the register with any reported cases, with cases of conflicts of interest identified otherwise and with changes and modifications in the identified conflicts of interest and the measures applied.

32. The Bank shall review the Conflict of Interest Policy for Investment and Ancillary Services and the Conflict of Interest register regularly (at least annually) and, if necessary, carry out additional reviews.

During the review the Bank will take the necessary actions to manage the deficiencies, if any are present.

33. The Compliance Department is in charge of coordinating tasks related to conflicts of interest situations and the maintenance of the register within the Bank.

In the case of questions or comments regarding the Conflict of Interest Policy for Investment and Ancillary Services, any client may contact the Bank for detailed information on the following address:

DSK Bank AD

Registered seat: 19, Moskovska Str., Sofia 1000,

tel.: 0700 10 375,

e-mail: [call\\_center@dskbank.bg](mailto:call_center@dskbank.bg)

[www.dskbank.bg](http://www.dskbank.bg)