

**RULES**  
**ON THE MEASURES FOR TREATMENT OF CONFLICT OF INTEREST, WHEN PURSUING**  
**THE BUSINESS OF AN INVESTMENT FIRM ALARIC SECURITIES OOD**

1. The conflict of interest is a situation that arises in the course of providing investment and/or ancillary services by the investment firm and that may damage the interests of a client.
2. When establishing the types of conflict of interest that arise in the course of providing investment and/or ancillary services, whose existence may damage the interests of the client, the investment firm shall take into account by way of minimum criteria, the question whether the investment firm or a person employed by the investment firm under a contract, or a person directly or indirectly linked by control to the investment firm, is in any of the following situations, whether as a result of providing investment and/or ancillary services or otherwise:
  - 2.1 is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
  - 2.2 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;
  - 2.3 has a financial or other incentive to favor the interest of a specific client or group of clients over the interests of another client;
  - 2.4 carries on the same business as the client;
  - 2.5 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 in violation of art. 14 of Ordinance 38 or other than the standard remuneration or commission for that service.
3. Conflict of interest may arise when:
  - 3.1 the investment firm, the investment consultant or another person under art. 39, par. 1 of Ordinance 38 has acquired or may acquire or is arranging transactions on own account in financial instruments and at the same time recommends to its clients to buy such financial instruments, if the investment firm or the investment consultant or the person under art. 39, par. 1 of Ordinance 38, respectively, will derive personal benefit from the purchase of the client;
  - 3.2 special remuneration is envisaged for the investment firm or for an employee under point 3(a), if the latter recommends certain transactions in specific financial instruments to their clients and these transactions are actually realized (for example by the issuer of the financial instruments or by their holder);
  - 3.3 the investment firm advises their client to buy/sell certain financial instruments that another one of their clients would like to sell/buy;
  - 3.4 the investment firm advises their client to buy/sell financial instruments to a person named by the investment firm, so that the investment firm or another one of their clients could influence the exercise of the voting right attached to the securities/financial instruments. The enumeration under point 3 hereinabove is indicative and non-exhaustive and is only intended to illustrate the "conflict of interest" concept, as well as to inform the employees of the investment firm about certain situations, which shall be avoided.
4. In order to avoid any conflict of interest, the employees of the investment firm, and in particular the management, the employees of the operational departments ("Front Office" and "Markets and Liquidity"), shall comply with the following basic principles:
  - 4.1 **Non-conflict** – the investment firm, the firm's employee, respectively, shall not put themselves into a position, where their interests will confront the interests of the client, and, if this however happens, they shall always give preference to the client's interest;
  - 4.2 **Equal treatment and loyalty to the client** – the investment firm shall always act in the interest of their client and in the best possible way for the client. They shall not put themselves into a position, where the interest of one of their clients will come into conflict with their obligation vis-à-vis another one of their clients. The investment firm shall employ all their knowledge and experience in favor of their client, including each piece of

information received, which is related to the service the investment firm is providing to the client;

4.3 **Confidentiality** – the investment firm shall not use in their favor or in favor of any other person, including another client, the confidential information received, when acting on behalf of a client.

5. The following methods are employed to avoid the arising of conflict of interest or, when a conflict of interest has arisen, are used to ensure the fair and equal treatment of all investment firm's clients:

5.1 complete disclosure of potential and specific conflicts of interest in advance, if this is not going to breach an existing obligation to maintain confidentiality or if this is not going to jeopardize the interests of another client;

5.2 the managing directors and all the other persons, who are employed by the investment firm under a contract, shall compulsorily enter into transactions in financial instruments on their own account only as clients of the investment firm;

5.3 compliance with the "Chinese wall" principle – distribution of functions among employees and departments;

5.4 refusal to act in case of a conflict of interest, when it is not possible to comply with the principles of point 5, unless the client has given their express consent for the transaction.

6. In the cases, when the Investment Firm produces, or arranges for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, the investment firm shall ensure the implementation of all the measures provided for in art. 75, par. 3 of Ordinance 38, as regards the treatment of conflicts of interests relating to the financial analyst involved in the production of the research and other persons, employed by the investment firm under a contract, whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated.

7. When the investment firm produces an investment research under art. 42 of Ordinance 38, the financial analyst and the other persons, employed by the investment firm under a contract, may not undertake personal transactions or transactions on account of another person, including for investment firm, in financial instruments, to which the investment research relates, or in any related financial instruments, with knowledge of the likely timing or content of that investment research; the first sentence shall apply, when the investment research is not publicly available or available to clients and cannot readily be inferred from information that is so available; the ban provided for in the first sentence shall apply until the recipients of the investment research have had a reasonable opportunity to act on it; the ban provided for in the first sentence shall not apply in the cases, when the investment firms act as market makers acting in good faith and in the ordinary course of market making or in the execution of an unsolicited client order.

8. Besides the cases provided for in point 8 hereinabove, the financial analyst and the other persons, employed by the investment firm under a contract and involved in the production of the investment research, shall not undertake personal transactions in financial instruments, contrary to the recommendations given during the period, in which these are valid, except in extraordinary circumstances and with the prior approval of the HEAD of the investment firm's internal control department or of the legal department.

9. The investment firm, the financial analyst and the other persons, employed by the investment firm under a contract and involved in the production of the investment research, may not receive remuneration, commissions or in-kind benefits in violation of art. 14 of Ordinance 38, from persons with material interest in the subject-matter of the investment research.

10. The investment firm, the financial analyst and the other persons, employed by the investment firm under a contract and involved in the production of the investment research, may not promise to the issuers, to whom it refers, favorable research coverage.

11. All persons, employed by the investment firm under a contract, other than the financial analyst, as well as any other persons shall not before the dissemination of investment research be permitted to review a draft of the investment research for the purpose of verifying the accuracy of factual statements made in that research, or for any other purpose other than verifying compliance with the investment firm's legal obligations, if the draft includes a recommendation or a target price.

12. In the cases under art. 29, par. 2 of the Markets in Financial Instruments Act, the investment firm, before pursuing any business on account of a client, in relation to which there is a conflict of interest, shall provide information to the client in a durable medium as regards the conflict of interest, which is sufficient with a view to the client's characteristics, to enable the client to make an informed decision about the investment or ancillary service, in relation to which the conflict of interest arises.

13. The investment firm shall keep and update the information about the types of investment or ancillary services provided by the investment firm, where a conflict of interest arises or may arise in the course of realization of the service or of the activity, leading to a material damage to the interest of the client or clients of the investment firm.

14. The employees from the operational departments ("Front Office" and "Markets and Liquidity") shall notify their clients orally that:

14.1 when the investment firm is acting at their expense, the order placed by the client may be covered by a counter order placed by another client, from which the investment firm is also going to receive a commission;

14.2 the investment firm, respectively the employee of the investment firm, shall receive special remuneration, if the recommended transaction is entered into;

14.3 there may potentially arise one of the situations specified in point 3 hereinabove or other similar situations.

These Rules on the measures for treatment of conflict of interest, when pursuing the business of an investment firm are drawn up in accordance with the requirements of the Markets in Financial Instruments Act (MFIA) and Ordinance 38.

These Rules on the measures for treatment of conflict of interest, when pursuing the business of an investment firm shall be reviewed and/or revised at least once per year in accordance with the provisions of MFIA and Ordinance 38.

These Rules on the measures for treatment of conflict of interest, when pursuing the business of an investment firm are part of the Rules on the internal organization and the business of the investment firm.

These Rules on the measures for treatment of conflict of interest, when pursuing the business of an investment firm are adopted by the General Meeting of the Partners of investment firm Alaric Securities Ltd. held on 20 March 2013, and are amended at the General Meeting of the Partners of the investment firm, held on 13 May 2013, 19 June 2013, 30 April 2014, 30 January 2015.