

CONFLICTS OF INTEREST POLICY



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1. Introduction

Magic Compass Ltd (hereinafter, “the Company”) is an Investment Firm regulated by the Cyprus Securities and Exchange Commission (hereinafter, “CySEC”) with Licence number 299/16.

The Company has established this Conflict of Interest Policy (referred to as the “Policy”) in accordance with the Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and other Related Matters of 2017 (Law 87(I)/2017), as subsequently amended from time to time (hereinafter the “Law”) as well as CySEC relevant directives and circulars as subsequently issued and amended from time to time (the “Regulations”). The policy is prepared to be appropriate to the size and organisation of the Company and the nature, scale and complexity of the Company’s business.

2. Scope and Application

The Company seeks to identify and prevent conflicts of interest by implementing the Conflicts of Interest Policy, thereby ensuring compliance with legal standards through all reasonable measures. 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 legislation when providing investment services and other ancillary services related to such investment services.

The objective of this document is to outline the Company’s strategy for recognizing and addressing conflicts of interest that may occur in the course of its regular business operations. In addition, this document identifies circumstances which may give rise to a conflict of interest. A conflict of interest arises where there is a reason within the company’s control that prevents it from putting the interests of its clients before those of the Company and its employees, or the interests of one Client or group of Clients ahead of another Client. In such a situation, the Company must pay due regard to the interests of each Client and manage any potential conflicts of interest accordingly.

The underlying principle that must be followed always is that the interests of a Client must always be put before the interests of the Company and/or its employees. Finally, it is clear that a conflict may exist, or be perceived to exist, if an employee’s activity is, or may reasonably give the appearance of being, inconsistent with the best interests of the Company’s Clients.

The policy applies to the Company, including its managers and employees, tied agents, or other relevant persons, as well as any person directly or indirectly linked to them by control, and their clients or between one client and another, that arise in the course of providing any investment and ancillary services, or combinations thereof.

As per the Law, a relevant person means any of the following:

- a. A member of the board of directors, partner or equivalent, manager or tied agent of the Company;

- b. an employee of the Company or of a tied agent of the Company, as well as any other natural person whose services are placed at the disposal and under the control of the Company or a tied agent of the Company who is involved in the provision by the Company of investment services or/and the performance of investment activities; and
- c. a natural person who is directly involved in the provision of services to the IF or to its tied agent under an outsourcing arrangement for the purpose of the provision by the IF of investment services or/and the performance of investment activities.

3. Identification of Potential Conflict of Interest

For the purposes of identifying the types of conflict of interest that arise in the course of providing investment and ancillary services or a combination thereof and whose existence may give rise to conflict of interest entailing a material risk of damage to the interests of one or more clients, 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 CIF, is in any of the following situations, whether as a result of providing investment or ancillary services or investment activities:

- a. When the Company accepts Client order in Contracts for Difference (hereafter referred to as “CFD”), the Company will be dealing in the CFD concerned as principal for the Company’s account.
- b. The Company may be matching the client’s order with that of another client by acting on such other client’s behalf as well as on the client’s behalf.
- c. The Company may receive or pay inducements to or from third parties due to the referral of new clients or clients’ trading.
- d. The Company may use affiliated entities to execute certain transactions on an ad hoc basis.
- e. The possible use or dissemination of confidential information derived from the Reception & Transmission, Execution, Dealing on Own Account, Investment Advice or Portfolio Management departments or other business units of the Company such as front running, where applicable for the Company.
- f. The simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.
- g. The interest of relevant persons, shareholders, directors or agents of the Company in clients, and vice versa.
- h. The direct or indirect investing or management carried out by any relevant person or the Company to clients or accounts which invest in the same assets that may be also purchased or sold by other clients.
- i. The Company may be the counterparty to its clients positions such as acting as a principal and therefore stands to profit if the client loses.
- j. Orders generated for Clients by the Portfolio Management Department may be executed through the Dealing on Own Account Department.

- k. The Company trades its proprietary positions and at the same time has knowledge of client's future transactions via stop limit orders, as applicable.
- l. The Company or relevant persons may invest in clients' funds through the direct or indirect acquisition of shares.
- m. An interest in maximizing the Company's trading volumes in order to increase its commission revenue, which is inconsistent with the client's personal objective of minimizing transaction costs.
- n. The remuneration scheme of employees/relevant persons which may be based on the clients' trading volumes or value of trades placed by retail clients.
- o. The remuneration of third parties where the interest of a client conflicts with the interest of the third party.
- p. The persons producing investment research/marketing communication and other relevant persons, whose responsibilities to business interest may conflict with the interests of the persons to whom the investment research/marketing communication is disseminated.

In addition to the above and for the purposes of identifying the types of conflict of interest that arise in the course of providing investment and ancillary services or a combination thereof and whose existence may damage the interests of a client; next points must be considered. The Company takes into account, whether the Company or a relevant person, 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 is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;
- b. 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;
- c. 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;
- d. The Company or a relevant person carries on the same business as the Client;
- e. 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 monetary or non-monetary benefits or services.
- f. The Company or the relevant person is in possession of information obtained in the ordinary course of their business which would benefit the Company or the relevant person or the Group or the Client but such information is not publicly known.

Potential circumstances of Conflict of Interest duties may, inter alia, arise where the Company is a member of a group and:

- the Company and/or any other member of the group exercises the same activity as the Client;
- a transaction is affected 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;

- the Company acts as agent for the Client in relation to transactions in which it is also acting as agent for the account of other Client's including members of the Company's Group;
- the Company deals in financial instruments as principal with the Client;
- the Company or any other member of the Company's Group receives remuneration or other benefits by reason of acting in the provision of investment research or similar transactions involving an issuer whose financial instruments are held by the Client;
- the Company has a direct or indirect interest in a transaction.

4. Procedures and Controls to Managing Conflicts of Interest

In general, the procedures followed and measures adopted by the Company in order to manage the identified conflict of interest include the following measures (list is not exhaustive):

- 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. Ongoing monitoring of business activities to ensure that internal controls are appropriate and effective procedures to prevent or control the exchange of information between Related persons engaged in activities involving a risk of conflict of interest where the exchange of the information may harm the interests of one or more clients;
- c. The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the CIF;
- d. 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;
- e. 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 and
- f. Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

The Company, has established the following suitable and appropriate internal procedures and controls for minimizing any potential conflicts of interest which include the following (the list is not exhaustive):

- a. Establishment of the "four-eyes" principle in supervising the Company's activities.
- b. Chinese walls restricting the flow of confidential and inside information within the Company, and physical separation of departments.
- c. Segregation of duties that may give rise to conflicts of interest if carried on by the same individual.

- d. Procedures governing access to electronic data.
- e. 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.
- f. Establishment of in-house Compliance Department to monitor and report on the above to the Company's Board of Directors
- g. A policy designed to limit the conflict of interest arising from the giving and receiving of inducements.
- h. A gifts and inducements log registering the solicitation, offer or receipt of certain benefits.
- i. In the case where the Company distributes marketing communication to its Clients, it ensures that the said communication is reviewed and approved by the Compliance Officer prior to distribution. The Compliance Officer also ensures that such communication meets the relevant definition of marketing communication as well as having the appropriate disclosure statement.
- j. Appointment of Internal auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors.
- k. Personal account dealing requirements applicable to relevant persons in relation to their own investments.
- l. The Company also undertakes ongoing monitoring of business activities to ensure that internal controls are appropriate.
- m. Establishment of Personal Transactions Policy
- n. 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.
- o. Staff members are required to notify the Company of any direct or indirect interest in financial instruments or issuers or any direct or indirect interests or relationships or linkages that could in any way create conflicts of interest with the Company or its clients.

5. Inducements

The Company does not offer, solicit or accept any inducements, other than the following:

- a. A fee, commission or non-monetary benefit provided to or by a Client or a person on behalf of a Client;
- b. A fee, commission or non-monetary benefit provided to or by a third party or a person acting on behalf of a third party, under the following conditions:
 - i. the fee, commission or benefit is disclosed to a Client, prior to the provision of the relevant service; and
 - ii. it is designed to enhance the quality of the relevant service to a Client and in line with Company's duty to act in the best interests of a Client;
- c. Proper fees for the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which cannot give rise to conflicts with Company's duties to act honestly, fairly and professionally in accordance with the best interests of its Clients

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 authorises 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 at any given time and during the course of a business relationship between the Company and a Client or group of Clients, it appears to be the case that the organizational or administrative arrangements/measures in place are not sufficient to mitigate and/or avoid and/or manage a conflict of interest relating to that Client or group of Clients, the Company will disclose the conflict of interest (i.e. general nature and/or sources of conflicts of interest) before undertaking further business with the Client or group of Clients.

8. Disclosure of Information

The Company may decline to act for a Client in cases where it believes the conflict of interest cannot be managed in any other way.

9. Amendment/Review of the Policy

The Company reserves the right to review and/or amend this Policy and arrangements at any given time it deems suitable and appropriate without notice to the Client.

10. Additional Information

For further details with regards to the Company's Conflicts of Interest Policy and procedures, you may contact the Company's Support Department at compliance@magiccompass.com