

XTB Limited

## Conflict of Interest Policy

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### 1. Introduction

This Conflicts of Interest Policy (hereinafter, the "Policy") is provided to you (our Client or prospective Client) in accordance with the Investment Services and Activities, Regulated Markets Law of 2017 L.87(I)/2017 ("the Law") and with the Markets in Crypto-Assets Regulation (Regulation (EU) 2023/1114, "MiCA"), pursuant to which XTB Limited ("the Company") is required to take all appropriate steps to detect and avoid conflicts of interest.

This Policy is an adjunct to the Company's overarching general obligation 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.

The Company provides herein a summary of the Policy it maintains in order to manage conflicts of interest in respect of the duties it owes to its Clients.

### 2. Scope

The purpose of this document is to disclose and set out the Company's approach in identifying, managing and preventing conflicts of interest which may arise during the course of its normal business activities and the provision of Services to its Clients. In particular, the conflicts of interest may arise between: the Company and its Clients, different Clients whose mutual interest conflict, the Company and shareholders or members, the company and members of management board, the Company and any person directly or indirectly linked to the Company or their shareholders or members of control. In addition, this document identifies circumstances which may give rise to a situation of conflict of interest.

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. General Identification of Conflicts of Interest

#### 3.1. General Principals

When the Company deals/transacts with or on behalf of the Client, the Company (or an associate or some other person connected with the Company) may have an interest, relationship or arrangement in relation to the Transaction concerned or that it conflicts with the Client's interest. The Company hereby identifies and discloses a range of situations and circumstances which may give rise to a conflict of interest and potentially, but not necessarily, be detrimental to the interests of one or more Clients.

The Company shall take all appropriate steps to identify conflicts of interest situations between the Company and its Related Persons, the Company and its Clients or between its Clients during the course of the provision of investment services.

The Company's Policy, in general:

- a) Identifies with reference to the investment services carried out by the Company, the 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; and
- b) Specifies procedures to be followed and measures to be adopted in order to manage such conflicts.

#### 3.2. Criteria and Circumstances

When the Company deals with or on behalf of 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 conflicts with the Client's interest. The Company hereby identifies and discloses a range of situations and circumstances which may give rise to a conflict of interest and potentially but not necessarily be detrimental to the interests of one or more Clients.

To identify different types of conflicts that might arise in the course of providing its Services, and whose existence may harm or otherwise damage one or more Clients' interests, takes into account, by way of minimum criteria, the question of whether the Company itself or a Related Person or a person directly or indirectly linked by control to the Company, is in any of the following situations, as a result of providing investment services or otherwise:

- a) The Company or a Related Person is likely to make a financial gain or avoid a financial loss at the expense of a Client;
- b) The Company or a Related 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;
- c) The Company or a Related Person has an interest in the outcome of a service provided to the Client or of a transaction carried out for the Client, which is distinct from the Client's interest in that outcome;
- d) The Company or a Related Person has a financial or other incentive to favor the interest of another Client or group of Clients over the interests of the Client;
- e) The Company or a Related Person carries on the same business as the Client.

### 3.3. Non-Exhausting list of Circumstances of Conflicts of 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:

- a) The possible use of confidential information derived from the different departments of the Company;
- b) The remuneration of Providers by the Clients through the Brokers where the interest of the Client conflicts with the interest of the Provider;
- c) 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;
- d) the Company may be providing other services to associates or other Clients of the Company who may have interests in Financial Instruments, Underlying Assets or Crypto-Assets, which are in conflict or in competition with the Client's interests;
- e) the Company is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- f) the Company may receive or pay inducements to or from third parties due to the referral of new Clients or Clients' trading;
- g) Any market information, training and discussions as regards possible market trends should not be construed as trading/investment advice. It is the client responsibility to perform its own market research before entering into any position;
- h) The Company may be the counterparty to its Clients positions (i.e. act as Principal) and therefore stands to profit if the Client loses;
- j) The Company will execute Client's orders with selected external liquidity providers with varying transaction fee structures, which may be in conflict with Client's interest;
- m) The Company may convert Clients' funds in cash accounts (e.g. from EUR to USD) according to exchange rates which are unfavorable to the Client, with the prior consent of the Client for the conversion at the given exchange rate;
- n) The Company may have an interest in maximizing the markup, according to the Table of Commissions & Fees, which are in competition with the Clients' interests;
- o) The Company may promote, or market Crypto-Assets in which the Company or Related Persons have a financial interest;
- p) The Company may determine which airdrops, forks or similar initiatives to support and the fees applicable to handling and distributing them, which might reduce the amount distributed to Clients;

The Client consents to and authorizes the Company to deal with or for 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. Company employees are required to comply with a policy of independence and to disregard any such material interest or conflict of interest while offering services to the Client.

#### 4. Information regarding general principles of preventing and managing the conflict of interests

In general, the procedures and controls that the Company follows to manage the identified conflicts of interest include the following measures (list is not exhaustive):

- In order to prevent the conflict of interests, the Company has separated the Dealing on Own Account and Brokerage Departments. In addition, the Company separated the aforementioned departments from departments directly cooperating with clients, i.e. Sales Department and Client Service Department (which are outsourced to other entities within a XTB group located in EU) by means of so-called "Chinese walls", so that the departments have full autonomy when offering investment services to clients and when assessing the suitability of given products for particular clients. The purpose of the division described above is to make sure that the selection of the financial instrument offered to a given client is not related to the current open position whatsoever. The Dealing on Own Account and Brokerage Departments do not have direct contact with clients.
- The Company ensures that employee compensation, bonuses, or incentives are not structured in a way that encourages employees to act against the interests of Clients. In particular, staff remuneration shall not be linked solely to trading volumes, the placement of specific financial instruments or proprietary trading performance;
- The Company's organisational structure does not allow any competence relations between the departments having direct contact with the client and the departments remaining in the area of conflict of interests between the Company and clients;
- Employees of the Brokerage and Dealing on Own Account Departments are not allowed to speak in public about issues regarding the current market situation and participation in the preparation of reports and comments concerning markets made public by the Company;
- The employees of the Brokerage and Dealing on Own Account Departments never know the intentions of the client regarding the conclusion of a transaction. They are in all cases obliged to provide the clients at the same time with the purchase and selling price of a particular financial instrument, taking into account the spread consistent with the table of financial instrument specification and the rules and regulations of service rendering, which the client may use at his/her own discretion to open a new position or close the former one;
- The employees of the Trading Department never know the intentions of the client regarding the direction of the transaction execution. The Company's employees are not allowed to accept gifts in the form of pecuniary or non-pecuniary benefits from clients, potential clients or third parties;
- The Company undertakes ongoing monitoring of business activities to ensure that internal controls are appropriate;
- The Company undertakes effective procedures to prevent or control the exchange of information between Related 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;
- Measures to prevent or limit any person from exercising inappropriate influence over the way in which the Related Person carries out investment services;
- A policy designed to limit the conflict of interest arising from the giving and receiving of inducements;
- When determining the applicable markup, the Company acts in accordance with the Table of Commissions & Fees and ensures that such practices are disclosed to Clients prior to the placement of any Order;
- The Company acts according to the Regulations On The Provision Of Services Of Brokerage Services ("General Terms And Conditions"), regarding the airdrops, forks or similar initiatives;
- Establishment of in-house Compliance Department to monitor and report on the above to the Company's Board of Directors;
- A "need to know" policy governing the dissemination of confidential or inside information within the Company;
- Appointment of Internal Auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors;
- Establishment of the "four-eyes" principle in supervising the Company's activities;

- The Company follows Order Execution Policy and Crypto-Asset Order Execution Policy to ensure all orders are executed consistently, using fair terms and that they are in the clients' best interests;
- The Company requires from the Related Persons to declare all external interests, with restrictions enforced through the compliance oversight;
- The Company discloses to clients, in a clear, prominent, and timely manner, any conflict of interest that cannot be effectively managed. Such disclosures are also published on the Company's website in accordance with MiCA and ESMA technical standards.

## **5. Specific Identification of Conflict of Interest and Measures for their Management**

The Company is constantly conducting an in-depth analysis of its business and organisational arrangements including best execution arrangements, inducement practices, remuneration practices and investment research/marketing communication procedures, to ensure that all likely conflict of interest situations are identified regardless of materiality.

## **6. Inducements received**

The sole Execution Venue currently used by the Company for the execution of client's CFD orders, is XTBSPOLKA AKCYJNA (XTB S.A.), the latter being a member of the same group of companies as the Company.

The Company receives fees/commissions by XTB S.A., on the basis of the Cost Plus method, resulting from the conclusion of an Intermediary Agreement between the Company and XTB S.A. Additionally, within the framework of the abovementioned Intermediary Agreement, the Company receives non-monetary benefits by XTB S.A., such as specific dealing solutions and functionalities, while at the same time XTB S.A., establishes, operates, hosts, maintains and supports mechanisms and processes, required by the Company for the provision of services to its Clients.

The receipt by the Company of such payments and/or non-monetary benefits, as mentioned above, is justified by the enhancement of the quality of the services provided to the Clients and the Company when receiving such payments and/or non-monetary benefits, does that, acting in the best interests of its Clients.

Specifically the provisions of the abovementioned non-monetary benefits by XTB S.A. to the Company, which are essential for the provision of services to the Clients by the Company, allows to the Company to provide a tangible and on-going benefit to its Clients, by providing access to financial instruments at a competitive price, by not adding a mark-up on the spread of the underlying CFD as received from its execution venue, prior to offer it to its Clients.

Fees/commissions received by the Company from XTB S.A. as mentioned above, are independent to the Clients trading activity, but are received by the Company as a result of the performance of XTB S.A.'s contractual obligations, deriving from the abovementioned Intermediary Agreement.

## **7. Disclosure of Information**

The Company must adequately consider how to manage all conflicts of interest before resorting to disclosure. This will be a last resort after all appropriate steps have been taken.

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.

The disclosure will:

- be issued in a clear, timely, and accessible manner on the Company's website;
- be in a durable medium;

- clearly state that the organisational and administrative arrangements established by the Company to prevent or manage the conflicts are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the Client will be prevented;
- include a specific description of the conflicts of interest that arise in the provision of investment services and ancillary services;
- explain the risks to the Client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks;
- include sufficient detail, taking into account the nature of the client, to enable the Client to make an informed decision with respect to the services in the context of which the conflict of interest arises.

If a Client decides not to go ahead with the service due to the conflict disclosed, the Company will have no choice but to decline the provision of services if the conflict cannot be effectively managed.

## **8. Amendment of the Policy and Additional Information**

If the client wishes to obtain detailed information on the principles of the Company's procedure in the case of conflict of interests, the Company will make such information available via a webpage or durable data medium, at the client's request.

The Conflict of Interest Policy shall be reviewed at least annually, and updated whenever there is a material change in the Company's services, business model, or the market environment.

## **9. 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 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.