

GarantiBank International N.V.

**CUSTOMER COMPLIANCE  
CONFLICTS OF INTEREST POLICY**

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## 1. Introduction

1.1 GarantiBank International N.V. (including its branches and representative offices) (hereinafter, "GarantiBank" or "the Bank", is a credit institution that, among other activities, provides investment services and ancillary services (hereinafter, referred to as the "**Services**") and which, in accordance with its Code of Conduct, has acquired the commitment to avoid potential Conflicts of Interest that may arise in the relationship with customers or, failing that, manage them according to their interests.

1.2 In this sense, and in order to comply with the regulation on customer protection, the present Conflicts of Interest Policy (hereinafter "Policy") establishes the principles and general guidelines for action that GarantiBank must observe in order to identify, prevent and manage, and in its case, disclose to the client with conflict of interest situations (hereinafter, "Conflicts of interest" or "Conflict").

1.3 This Policy has been prepared according to the following regulations in force at the time of its approval:

- 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/UE (hereinafter, MiFID II Directive)
- 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 organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

1.4 GarantiBank will apply this Policy proportionately, taking into account the characteristics, nature, scale and complexity of the services it provides, and will develop the principles contained in this Policy, through the corresponding procedures, adjusting them, as appropriate, to legal requirements and the particularities of the activities and services provided in each jurisdiction.

## 2. Scope of Application

2.1. This Policy will be applicable to entities of the Bank and, consequently, all their employees, directors, agents, and people directly or indirectly linked to the Bank through a control relationship insofar as services are provided in the European Union to customers in the name or, on behalf, of GarantiBank.

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2.2. For the purposes of this Policy, these (natural or legal) persons are hereinafter, "Subject persons".

### 3. Identification of Conflicts of Interest

3.1. Situations to be considered generators of conflicts of interest are those that exist between competing interests:

- i. the subject persons and customers; or
- ii. two or more clients of the Bank.

3.2. In order for a situation to be considered as Conflict of Interests, it is necessary that, within the framework of the provision of the particular service, GarantiBank maintains obligations with respect to the safeguarding of the interests of customers.

3.3. In addition, it is not enough that GarantiBank may gain a benefit (or avoid a loss), if there is not also a possible disadvantage to a client, or that a client to whom the Bank owes a duty may make a gain (or avoid a loss) without there being a concomitant possible loss to another such client.

3.4. For the purposes of identifying the types of conflict of interest that may damage the interests of a client, the Bank shall take into account, by way of minimum criteria, whether the Subject Person is in any of the following situations:

- i. The Subject Person is likely to make a financial gain, (or avoid a financial loss) at the expense of the client.
- ii. The Subject 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 different from the client's interest in that outcome.
- iii. The Subject Person has a financial or other incentive to favour the interest of another client (or group of clients) over the interests of the client (or group of clients).
- iv. The Subject Person carries on the same business as the client.
- v. The Subject 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.

## 4. Prevention and management of conflicts of interests

### 4.1. This section includes:

i. A relation of general principles of action of forced observance by the Subject Persons during the provision of services to customers by the Bank.

ii. A relation of general administrative and organizational measures that will be adopted by the Bank prior to the provision of services by the Bank to its customers.

Both the principles and the previous administrative and organizational measures are designed to prevent the risk of prejudice to the interests of one or more customers and, thus, avoid the detrimental effect on them of a possible situation of Conflict of Interests.

4.2. The general principles of action for the prevention of conflicts of interest between clients and the Bank, or between two or more clients of the Bank, are as follows:

a. The Subject Persons have the obligation to ensure preferentially in the interest of its clients during the provision of services, by giving them preference over the interests of the Bank or their own.

b. The Subject Persons have the obligation to ensure equality of treatment among customers, avoiding favoring one over the other.

c. The Subject Persons will not encourage clients to perform operations that are not appropriate for the sole purpose of generating a profit (monetary or not) for the Bank, for the same person subject or another client.

d. The Subject persons will not multiply unnecessarily (without apparent benefit for the customer) operations in order to increase the perception of commissions (or other type of income) or of artificially increasing the market share of the Bank.

e. In cases in which the accumulation of orders from customers is legally permitted<sup>1</sup>, the Subject persons must not assign the execution of such orders so that it may become harmful to customers and beneficial for the subject people, or harmful to a few customers and beneficial to others.

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<sup>1</sup> In order to have further information please visit “Order Execution Policy”

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f. The subject persons will not operate - in anticipation of the order issued by a customer- in the same sense of market indicated on the order, for its own benefit or another client, taking advantage of prior knowledge of the intentions of the customer.

g. In case of cross-selling products or providing combined services, the Subject Persons will inform clients of the possibility, or not, of separate acquisition and, in any case, nature, risks and costs of each of the components that form the product or service combined.

h. The Subject People will not disclose to clients information about other clients.

i. The subject people will follow the principle of treatment just apportionment or distribution of orders issued by customers in relation to a product or service offered in a non-discriminatory manner by the Bank.

j. The subject people will not accept gifts or receive benefits (monetary or not) in order to benefit third parties against customers or clients against others.

4.3. Administrative and organizational measures that will be adopted by the Bank, prior to the provision of services, are as follows:

a. Establishment of separate areas and information barriers. Separate areas are those departments that develop activities<sup>2</sup> likely to generate with high probability Conflicts of Interest situations.

The establishment of separate areas promotes making decisions independently within each area.

Separate areas will have physical, functional and hierarchical separation between themselves and the rest of the Bank. There will be information barriers that regulate the flow of information, both incoming and outgoing, for each of the separate areas.

b. Prior to the launch of a new product or service, a separate Committee (New Business and Product Approval Committee) will analyze, among other things, the possible conflicts of interests that may arise in the design or distribution of the same. In case of identifying it, in addition, this Committee will propose measures to prevent or manage the risk of prejudice to the interests of the clients.

c. There will not be direct relationship between the remuneration of people within the Bank who develop principally an activity and the remuneration of the people within the Bank who develop principally another activity, or the revenue generated by them, when a Conflict of Interests may arise in related to these activities.

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<sup>2</sup> Management activity of the own portfolio, management of the foreign portfolio, financial analysis (or reporting of investment or "research") activity, activity of banking and investment capital, etc.

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d. Simultaneous or consecutive participation of the Subject Person in various services will be prevented or controlled when such participation can be detrimental to proper management of conflicts of interests.

e. The separate supervision of the persons, whose main functions are the realization of activities or provision of services on their own account or on behalf of customers with opposing interests among themselves or with interests that may enter into conflict with those of the Bank.

f. Measures shall be taken to prevent or limit the possibility of any person exercising improper influence over the manner in which the Subject Persons carry out the Services.

g. All Subject Persons receive adequate information and training about the code of conduct of the bank, corporate policies and procedures relevant for the performance of its functions. In this way, the Bank reduces the risk that subject people engage in situations of conflicts of interest by ignorance or inadvertently when they provide services to clients.

4.4. As a complement to the guidelines and general measures included in this section, GarantiBank will regulate through specific procedures the prevention and management of Conflicts of Interest applicable to those Services in which, due to their characteristics, they are more likely to arise Conflicts of Interest or respect of which the regulation establishes specific requirements in this matter. In this regard, it is worth mentioning the procedures related to the Conflicts of Interest in the services of Underwriting and Placing of financial instruments and the preparation of Investment Reports and Financial Analysis.

## 5. Guidelines for action in the event of a Conflict of Interest

5.1. Different business units within the Bank will ensure that, in their respective field of activity, potential situations of Conflict of Interest are solved through the implementation or application of the measures and procedures of prevention or management that proceed in accordance with the established in section 4 above.

5.2. However, the variety and dynamism of the activities and businesses of GarantiBank makes prior identification and resolution of possible situations of potential conflict that may arise in the ordinary course of its activities difficult. In this sense, the followings are the guidelines for actions that the Subject Persons must observe to resolve those Conflict situations that could not have been prevented or managed in application of the measures and guidelines previously established:

5.2.1. Those Subject Persons that detect, in the development of their functions, a situation of possible Conflict of Interest, shall inform their immediate supervisor through the timely communication, as soon as it is perceived and prior to the provision of the Service, so that he/she can form a judgment of the situation and adopt or promote, in conjunction with as many areas as deemed necessary, the adoption, in its case of the management measures it deems appropriate.

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5.2.2. It is necessary to take into account that, when a Conflict of Interest arises in which at least two departments intervene, it will usually be that the resolution corresponds to the common manager of the mentioned departments, who, in conjunction with the areas that he/she considers necessary, will adopt the management measures he/she deems appropriate.

5.2.3. For the purposes foreseen in the two previous points, the person in charge of the management of the conflict must submit to the Compliance Department, the consultations that he/she deems appropriate in relation to the situation of the Conflict of Interest and its resolution.

5.2.4. In any case, the person who has promoted the resolution of the conflict must communicate the situation of Conflict of Interest to the Compliance Department and the adopted measures to the prevention and management in order to comply with the registration and information obligations to the Senior Management provided in the regulations and which are set out in sections 7 and 8 of this Policy. This communication shall be made in accordance with the procedure(s) established in the development of this obligation.

## 6. Disclosure of Conflicts of Interest to Clients

6.1 When the measures taken to prevent or manage a specific conflict of interest are not sufficient to guarantee, with reasonable certainty, that the risks of prejudicing the interests of customers will be prevented, the area responsible of the provision of the service shall ensure that it is clearly disclosed to the client, impartially, clear and not deceptive.

6.2 The disclosure to the client shall be made through a communication in durable medium and shall include specific description of the Conflicts of Interest that arise in the provision of Services, taking into account the nature of the client to whom the disclosure is being made. The description shall explain the general nature and sources of Conflicts of Interest, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken by GarantiBank to mitigate these risks.

6.3 The disclosure shall clearly state that the organizational and administrative arrangements established by the Bank to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client.

6.4 The disclosure shall, in good time before and in sufficient detail, enable the client to take an informed decision with respect to the investment or ancillary service in the context of which the conflicts of interest arise.

6.5 Any conflicts of interest related disclosure or decline to act action is subject to pre-clearance of Compliance Department.

6.6 The disclosure to customers shall be applied as a solution of last resort. Excessive recourse to the disclosure shall be considered a deficiency in compliance with this policy.

## 7. Record of Conflicts of Interest

7.1 The Compliance Department shall keep and regularly update a record of the kinds of Services carried out by the Bank, or on behalf of the Bank in which a Conflict of Interest entailing a risk of damage to the interests of one or more clients.

7.2 The Compliance Department shall include the information communicated by the business units, according to the section 5.2.4 of this Policy, about the detected situations of Conflict of Interest and the measures taken to its prevention or management.

## 8. Compliance with the Conflicts of Interest Policy

8.1 It is the responsibility of every employee of the Bank to comply with the Conflict of Interest Policy and to promptly alert appropriate authorities of any violations. The content of this policy as well as its annexes will be held confidential by the Bank. Failure of an employee to comply with this policy is grounds for disciplinary action.

8.2 In case of non-compliance with this policy, the Managing Board will determine the final course of the action to be taken. Similarly, the Supervisory Board's Audit & Compliance Committee will determine the final course of action for a Board Member who violates this policy. Every employee of the Bank is responsible for adhering to its guidelines and minimum standards at all times including all modifications hereafter adopted.

## 9. Implementation and Follow- Up

9.1 The Conflicts of Interest Policy, which is mentioned in this document, has been approved by the Bank's Managing Board in June 2018.

9.2 The implementation of this Policy and its corresponding developments, as well as the control over its degree of compliance, will be carried out in accordance with the Internal Control of Three Lines of Defense model of the Bank.

9.3 The Compliance Department:

- Will review, with minimum annual periodicity, the contents of the Policy and the effectiveness of preventive measures and the effective compliance of it. In case of finding any deficiency, the Compliance Department will designate appropriate measures to correct it.

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- Will regularly maintain and update the record of Conflicts of Interest provided for in Section 7 of this Policy.
- Will send to senior managers, often (at least annually), written reports on the situations of Conflict of Interest that has been detected and, where appropriate, measures taken for their prevention or management, according to the information included in the Record of Conflicts of Interest section.
- The Compliance Department will update the Policy in, at least, the following cases:
  - When legal or regulatory changes take place that affect the contents of it.
  - On a proposal from the bodies of supervisors.
  - When they deem necessary there are points for improvement.

## 10. Annexes

Annex I : Conflicts of Interest Matrix

Annex II : Investment and Ancillary Services provided by the Bank