



CONFLICT OF INTEREST MANAGEMENT POLICY

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Further Information

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1. Introduction

Entities operating within the financial system must protect the smooth operation and stability of the financial system and are therefore bound to avoid any practices that could breach good customs and practice or undermine the ethical principles and professional behaviour of the financial sector.

Moreover, in carrying out their activities, they must act honestly, impartially and professionally, and in the best interest of their clients.

Andorran legislation, through Law 8/2013 of 9 May on the organizational requirements and operating conditions of entities operating within the financial system, investor protection, market abuse and financial collateral arrangements and its amendment by Law 17/2019 of 15 February, establishes that *“entities operating within the financial system must adopt suitable organizational and administrative measures to detect conflicts of interest that arise at the time of providing any investment or ancillary service, between the entity itself, the senior management, the staff or the financial agents appointed by the entity, and its clients, or between clients, and prevent them from harming the interests of one or several clients”*.

2. General aspects and scope of application of the Conflict of Interest Management Policy

The Conflict of Interest Management Policy (hereinafter, the “COIMP”) is designed to put into place the mandatory measures and procedures for preventing and managing situations identified as potential causes of conflicts of interest.

Law 8/2013, in article 13.3, establishes that: *“Entities operating within the financial system must set out in writing the policy and procedures for preventing and resolving conflicts of interest that are appropriate to the scale, organization, volume and complexity of their activities. Managers, employees and financial agents or anyone connected through a relationship of control, are subject to the same rules for preventing and resolving the established conflicts of interest of the entity.”*

2.1. Definition of conflict of interest

Law 8/2013 specifies that a conflict of interest exists in the provision of a service when MoraBanc and its subsidiaries and affiliates (hereinafter, “the MoraBanc Group” or “the Group”), senior management, staff, financial agents appointed by the MoraBanc Group and its clients *“have an interest in the provision of the service, or its result, which is different to the interest of the client receiving the service and could incur a loss for him, or when another client or clients could obtain a benefit or avoid a loss while potentially causing a concurrent loss to the client receiving the service”*.

2.2. Objective of the Conflict of Interest Management Policy

Article 13 ter of Law 8/2013 establishes that the COIMP:

- “1. Must identify, with regards to the services and specific investment activities and ancillary services carried out by the entity or on behalf of it, any circumstances that cause or could cause a conflict of interest involving a major risk of harming the interests of one or more clients.*
- 2. Must specify the procedures to follow and measures to adopt to manage such conflicts.”*

To achieve this objective, the MoraBanc Group prepares this policy to ensure that its decisions relating to the performance of its activities are taken with the essential level of independence, avoiding, eliminating or ultimately reporting the conflict of interest to the client.

The duty regarding management of conflicts of interest does not prohibit their existence but does require reasonable measures to be taken to prevent and resolve them, identifying a process for informing clients when conflicts of interest are unavoidable.

2.3. Identifying conflicts of interest

To identify the types of conflicts of interest that may arise in providing investment or ancillary services, or a combination of both, or in carrying out investment activities or for other reasons, and to avoid their existence harming the interests of a client, it must be considered whether any of the following circumstances apply to the MoraBanc Group or employee:

- a) They can obtain a financial benefit or avoid a financial loss at the cost of the client.
- b) They have an interest in the result of a service provided to the client or a transaction carried out on behalf of the client other than the client's interest in the result.
- c) They can obtain financial or other incentives that favour the interests of one client or a group of clients over those of another.
- d) They are engaged in the same activities as the client.
- e) They receive or will receive an incentive from someone other than the client relating to a service provided to the client, in the form of money, goods or services, apart from the usual fee or payment for provision of the service.

Conflicts of interest affecting employees may arise as a result of family, professional, financial or any other ties, or from known circumstances based on a specific role or duty within the group.

To determine whether there are conflicts of interest due to employees' ties, any circumstances that could cause a conflict must be considered and assessed as such by an impartial observer who is aware of the set of circumstances involving the person concerned and the specific case.

3. Principal activities that could cause a conflict of interest

According to current legislation, MoraBanc Group must declare any kind of connection between group entities, between clients, between the group and its clients and between other entities that may act as a counterparty for the Group, when these ties could cause a conflict of interest to the detriment of the clients.

The following is a non-exhaustive list of the principal activities that the Group classifies as potentially causing a conflict of interest, and which Regulatory Compliance can adapt at any time to the activities of the MoraBanc Group, to market circumstances or to the requirements of regulators or supervisors.

A. Those relating to the stock market:

- a) acting on one's own behalf in markets
- b) capital markets
- c) credit risk
- d) management of own portfolio
- e) financial analysis
- f) discretionary and individualized portfolio management services
- g) investment advice
- h) Collective Investment Institution (CII) services
- i) distribution and intermediation on behalf of clients

B. Related to digital assets

- a) custody services
- b) Reception and transmission of orders.

C. Those relating to third parties outside the MoraBanc Group, especially:

- a) the provision of services by external consultants or advisers
- b) providers of goods and services
- c) discretionary and individualized portfolio management services
- d) investment advice provided
- e) client introductions
- f) direct and indirect ownership of equity in companies that are clients of the Group through services related to stock markets or listed companies
- g) holding administrative or senior management positions in listed companies or financial entities
- h) Securities lending services.

D. Those relating to transactions in the property sector:

- a) They must avoid private, personal or family interests influencing how decisions are made, actions are taken, or services and advice are provided in the name of the MoraBanc Group.
- b) They must avoid influencing matters that could be related to businesses, companies or professional activities of any kind, in which they are directly or indirectly involved or have an interest.
- c) They must avoid influencing the concession and setting of terms for credit facilities, the acceptance of financial transactions and any other transaction that poses a risk to the MoraBanc Group, in which they have a direct or indirect personal interest.
- d) Their workplace must not be used for their own benefit or that of their family, when carrying out their duties or in their relations with third parties, irrespective of the area of activity where they intend to exercise an influence.

E. Family ties

- a) The spouse or equivalent, according to legislation.
- b) The ascendants, descendants and siblings of the employee, and their respective spouses or equivalent, according to legislation.
- c) The ascendants, descendants and siblings of the spouse or equivalent, according to legislation.

If any of the above persons are any of the following, the situation must be reported:

- i. Clients or persons holding administrative or management positions in client companies and carrying out regular activities in the stock markets.
- ii. Persons holding administrative or senior management positions in listed companies or investment services companies.

4. Responsibility for the Conflict of Interest Management Policy

4.1. Regulatory Compliance

Regulatory Compliance is the division in charge of implementing, applying and maintaining the COIMP, and also supervising the established measures and procedures for the prevention and management of conflicts of interest.

4.1.1. Implementation of the Conflict of Interest Management Policy

Implementation of the COIMP, once approved by the Board of Directors and communicated to the senior management and all employees, is done through the following actions:

- a) Registering the persons in charge of COIMP compliance appointed by each division manager in the MoraBanc Group.
- b) Communicating the introduction of the COIMP through the persons identified in each division as those in charge of the commitment to operate and comply with this policy.
- c) Implementing effective procedures to prevent or control the exchange of information, between employees or between different divisions involved in activities that carry the risk of a conflict of interest, when the exchange of such information could harm the interests of one or more clients.
- d) Designing the training programs required to adequately inform all members of the MoraBanc Group of the procedures to be followed in situations that could cause conflicts of interest.
- e) Eliminating any direct relationship between the remuneration of employees that carry out an activity and the remuneration of other employees that mainly carry out another activity, or the income produced by such activities, when a conflict of interest could arise in relation to those activities.
- f) Supervising employees separately when their main role is to carry out activities or provide services on behalf of or for clients with conflicting interests, or that represent interests that could conflict, including those of the MoraBanc Group.
- g) Adopting measures to prevent or limit anyone from exercising undue influence over the manner in which an employee provides services or carries out investment or ancillary activities.
- h) Adopting measures to prevent or control the simultaneous or consecutive involvement of an employee in various services or investment or ancillary activities when that involvement could undermine the management of conflicts of interest.

Where the adoption or practice of one or more of these measures and procedures does not guarantee the necessary level of independence, other necessary and appropriate measures and procedures must be adopted for that purpose.

4.1.2. Updating and supervisory report of the Conflict of Interest Management Policy

Regulatory Compliance must keep the COIMP updated and prepare an annual report on the monitoring and implementation of this policy and deliver it to the Audit and Regulatory Compliance Committee and the General Management.

Separately to the above, Regulatory Compliance must immediately report any significant incident that occurs in observing the COIMP.

4.2. Other divisions

Those in charge of COIMP in the different divisions of the MoraBanc Group must:

- 1) Apply the COIMP in their division.
- 2) Communicate to Regulatory Compliance and effectively apply the procedures and measures for the prevention or management of situations that cause conflicts of interest.
- 3) Maintain and update the group of persons.
- 4) Identify situations that could cause conflicts of interest relating to transactions to be started or underway and report them to Regulatory Compliance if they are not already identified.
- 5) Actively work to prevent the MoraBanc Group and its employees carrying out transactions on their own behalf when they:
 - i. Know sensitive, insider or significant information about a security of the issuer, or confidential client information.
 - ii. Are involved in the structuring and management of transactions.
 - iii. Perform analysis tasks and issue regular investment recommendations about the issuer, which could cause a clear conflict of interest.
- 6) Maintain appropriate communication with Regulatory Compliance on the management of conflicts of interest that affect it and on any other aspect relating to compliance with the code of ethics and conduct of the MoraBanc Group.

Separately to the above, they must immediately report to Regulatory Compliance any significant incident or aspect that occurs in observing the COIMP.

5. Preventing conflicts of interest

The MoraBanc Group has the following measures available to prevent and, where applicable, efficiently manage potential conflicts of interest:

- Restricted access to information via individual passwords.
- Control of personal transactions, according to the code of ethics and conduct of the MoraBanc Group.
- Control of insider information to prevent, avoid and, where applicable, manage any conflicts of interest that may arise in the processing of insider information, even considering the physical separation of the different divisions (separate divisions) where potential conflicts of interest have been identified.
- Managing breaches and potential incidents of this policy within the Corporate Integrity Management Committee (CIMC).

6. Recording conflicts of interest

The person in charge of implementing the COIMP in each department must keep an updated register of any conflicts of interest that have occurred, any that are occurring or any that could occur in performing the activities, services or continuous activities, or any potential conflicts of interest that are detected, and send it to Regulatory Compliance, which will hold all the entity's Conflict of Interest Registers.

6.1. Content of the Conflict of Interest Register

All divisions, including Regulatory Compliance, must keep a register of conflicts of interest, which must contain at least:

- 1) **Identification of the conflict:** Identification of any circumstances that give or could give rise to a conflict of interest involving a major risk to the interests of one or more clients.
- 2) **Management Plan:** Specifying the procedures to be followed and measures to be taken to manage such conflicts.
- 3) **Action Plan:** Identifying the measures to take or develop for conflicts not covered by a Management Plan.
- 4) **Conflict Resolution or Mitigation:** communication of the resolution or corresponding mitigation plan.

6.2. Maintenance and updating

The designated person in each division must inform Regulatory Compliance about any update to the Conflicts of Interest Register and any change at the time it occurred, so that the central Register can be updated.

7. Procedures and measures for managing conflicts of interest

To control potential conflicts of interest, employees must inform the person in charge of their division and Regulatory Compliance of any situation, that could, in each specific circumstance, cause conflicts of interest that may compromise the impartiality of their actions, prior to carrying out the identified transaction or on conclusion of the business concerned.

Employees must try to avoid conflicts of interest, both their own and of the MoraBanc Group. If they find themselves in a situation of conflict of interest, they must stop taking decisions or, where applicable, voting, and must report it.

Management of a conflict of interest must be resolved by the senior person in charge of the affected division, the immediate superior of all of them if several are affected, or whoever Regulatory Compliance chooses if none of the previous rules apply.

If there is any doubt about competence or the manner of resolving a conflict of interest, Regulatory Compliance can be consulted.

In resolving conflicts of interest, the following rules must be considered:

- i. Where there is a conflict between the MoraBanc Group and a client, the client's interests must be safeguarded.
- ii. Where there is a conflict between employees and the MoraBanc Group, the former have a duty of loyalty.
- iii. Where there is a conflict between clients, the situation must be reported to those affected if it is impossible to resolve, and the services or transactions in which the conflict arises can only be carried out if they give consent. None of them must be treated in a preferential or detrimental manner.

For this purpose, the following rules must be obeyed:

- i. For no reason must transactions by one client be disclosed to another.
- ii. A transaction for one client cannot be encouraged in order to benefit another.
- iii. Pro rata or distribution rules for executed orders must be observed, to avoid a conflict in transactions that affect two or more clients.
- iv. Neither the Group nor its employees should make improper use of the information relating to pending orders from clients, and they should take all reasonable steps to prevent any improper use of such information.

Any decision about the conflict and incidents that might result must be reported to Regulatory Compliance.

8. Reporting conflicts of interest

Where organizational and administrative measures are not sufficient to reasonably guarantee the prevention of risks to clients' interests, the MoraBanc Group must clearly inform the client of the overall nature or origin of the conflict of interest before acting on their behalf.

9. Communication to clients

The COIMP is available to clients on the website, www.morabanc.ad, and at any MoraBanc branch.

10. Intermediation in property sales

MoraBanc, by financing clients' property transactions, may be affected by conflicts of interest in certain circumstances.

Following the general principle of independence, under the criterion of objectivity, the Group sets out the rules in subsection C of section 3 of this policy, "Principal activities that could cause a conflict of interest", to avoid conflicts of interest when intermediating in property sales.

10.1. Scope of application

Any employee of the bank who is involved in intermediary transactions (brokerage) or property sales, where one of the parties is a client of the MoraBanc Group or requests finance from the Mora Banc Group.

In these operations, the employee must act objectively and according to the principle of independence described above.

10.2. Prohibitions

Employees are prohibited from receiving financial compensation (commissions, premiums, etc.) for their involvement in any of the affected transactions described above, provided that such transactions are carried out outside the scope of the procedures described internally.

11. Review of the Conflict of Interest Management Policy

The COIMP must be reviewed at least once a year or whenever there is a change in the legislation or regulations affecting it.

12. Legal Framework

This Policy has been drafted according to the provisions of current legislation.

Andorran Regulations:

- Consolidated version of Law 8/2013, of 9 May, on the organizational requirements and operating conditions of entities operating within the financial system, investor protection, market abuse and financial collateral arrangements.
- Implementing regulations for Law 8/2013, of 9 May, on the organizational requirements and operating conditions of entities operating within the financial system, investor protection, market abuse and financial collateral arrangements.



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