



# **CONFLICT OF INTEREST MANAGEMENT POLICY FOR INVESTMENT SERVICES AND ANCILLARY SERVICES**

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## I. THE PURPOSE OF THE CONFLICT OF INTEREST MANAGEMENT POLICY

OTP banka Srbija a.d. Novi Sad. (hereinafter: Bank) provides operations performed by the Bank in accordance with the Law on Banks and investment services to its clients as part of its activities.

Under Capital Market Law (Official Gazette RS, nr. 31/2011, 112/2015, 108/2016 and 9/2020) (hereinafter: Law), as well as and Rulebook on organizational requirements for the provision of investment services and performance of investment activities and ancillary services ( Official Gazette RS, Nos 89/2011, 44/2012, 94/2013 and 3/2016) , is obliged to consistently execute the orders of its Business Partners on terms most favourable to the Business Partner, and to indicate the execution venues that enable the Bank to obtain, on a consistent basis, the best possible result for the execution of the orders of its Business Partners. This Conflict of Interest Management Policy for investment services and ancillary services (hereinafter: Conflict of Interest Management Policy) summarises the circumstances that lead or may lead to a conflict of interest potentially causing adverse consequences for the client. The Conflict of Interest Management Policy comprises the policy as required in the Law, the Rulebook on organizational requirements for the provision of investment services and performance of investment activities and ancillary services and other related legal acts, but does not present the entirety of the regulations and policies followed by OTP banka Srbija a.d. Novi Sad in the course of performing its investment services and ancillary services.

In the course of its activities, the Bank shows due professional care as may be expected from a financial institution and thus gives priority to the Business Partner's interests in each phase of its service. The Bank seeks to foster long-term relationships with its Business Partners and improve client satisfaction. To gain the trust required for this, the Bank believes it is necessary that it ensures that the Business Partners' interests are given ample protection.

In the Conflict of Interest Management Policy, the Bank specifies those circumstances within the framework of its investment and supplementary services and the related operations performed by the Bank in accordance with the Law on Banks and investment services that lead or may lead to a conflict of interest potentially causing adverse consequences for the Business Partner. The Policy also defines rules and measures that allow the prevention, identification and management of such conflict of interest situations that are potentially prejudicial to the Business Partner.

By taking the necessary actions and putting appropriate procedures in place, the Bank seeks to ensure that the Employees of the Bank and any person associated with the Bank, relevant person and the person with whom a relevant person has close links learn about and fulfil the requirements specified in the internal regulations and refrain from showing any conduct that violate the provisions of these regulations.

On the basis of its duty specified in legislation, the Bank will inform its Business Partners of the methods and procedures applied by the Bank to identify and manage conflict of interest.

## II. INTERPRETATIVE PROVISIONS

### **Employee:**

a natural person having a labour contract or a legal relationship with Bank. for the performance of work and other natural person in a contractual relationship aimed at performing work.

### **Bank**

OTP banka Srbija a.d. a.d. Novi Sad.

### **OTP Group:**

OTP Bank Plc. and its subsidiaries in the country and aboard in accordance with Hungarian legislation

**Investment firm:**

means a person whose regular occupation or business is the provision of one or more investment services to third parties or the performance of one or more investment activities on a professional basis

**Authorized bank:**

Capital Markets Department within the Global Markets Directorate as an organizational unit of the Bank whose regular activities or operations include the provision of one or more investment services to third parties, or professional basis of one or more investment activities related to one or more financial instruments and licensed by the Securities Commission in accordance with the Capital Market Law.

**Person related to the Bank:**

- 1) members of the banking group to which the bank belongs;
- 2) members of the managing and executive board of the bank, members of the bank's committees defined by the Law on Bank, members of management bodies of a member of the banking group to which the bank belongs, as well as family members of those persons;
- 3) persons with participation in the bank and in persons which are members of the banking group to which the bank belongs, as well as family members of those persons;
- 4) legal persons in which persons specified in items 2) and 3) of this paragraph hold controlling participation.

**Investment service and ancillary services:**

any activity defined in Article 2, paragraph 8 and 9 of the Law on Capital Market.

**Law:**

Law on the Capital Market.

**Relevant person** For the purposes of the Conflict of Interest Management Policy, the following persons will qualify as Relevant persons:

- a. the person with ownership interest in the Bank;
- b. member of the Board of Directors, members of Audit Committee and members of the Executive;
- c. Director of Authorized bank;
- d. employees in the Authorized bank;
- e. employees of the Bank who participating in the provision of investment services;
- f. any other natural person who is engaged by the Bank to provide the investment services and activities.

**The Person with whom a relevant person has close links:**

- a. the spouse of the relevant person or partner of that person equivalent to a spouse,
- b. descendants and ancestors in the vertical line indefinitely,
- c. collateral kinsmen onto the third degree of kinship, in the side line, including in-laws,
- d. adopter and adopted persons and descendants of adopted persons,
- e. foster parent and foster children and foster children's descendants.
- f. any other person who has shared the same household as that person, for at least one year, on the date of the personal transaction concerned;

**Personal transaction:**

Financial instrument transaction carried out by the relevant person acting outside the scope of the activities that he or she carries out as the relevant person, or which is performed for the account of the relevant person, the person with whom the relevant person is kinship relation, or with whom he or she is closely related pursuant to the Law or the person whose relation with the relevant person is of such nature that the relevant person has direct or indirect material interest in the result of transaction, but which is not commission or fee for carrying out the transaction

**Insider information:**

means information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments and which, if made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments;

**Durable medium:**

shall mean any instrument which enables a client to store information addressed personally to that client in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored. Media that enables access, processing, completeness and reproduction of data to be provided at least until the deadline prescribed by the relevant regulations.

**Client**

means any natural or legal person to whom Authorized bank provides investment or ancillary services.

**III. THE SCOPE OF THE CONFLICT OF INTEREST MANAGEMENT POLICY**

The Conflict of Interest Management Policy defines the principles, procedures and control functions applicable to various situations related to the Bank's investment service activities and provision of supplementary services. As the Bank qualifies as a credit institution providing investment and ancillary services, the scope of the Conflict of Interest Management Policy also extends to the relevant operations in connection with such services performed by the Bank in accordance with the Law on Banks.

The material scope of the Conflict of Interest Management Policy does not cover those cases of conflict of interest that relate to the Bank's other services or activities.

With regard to the OTP Group, the Conflict of Interest Management Policy takes into account the circumstances the Bank has or should have information about and that may result in conflicts of interest generated as a result of the other Group members' structure and business activities.

The Conflict of Interest Management Policy applies to the Bank (credit institution), Authorized bank, relevant person and the person with whom a relevant person has close links and to conflicts of interest/situations of conflicts of interest between:

- Interests of the Bank, Authorized bank, relevant person and each person closely linked to them and the interest of the client of the Authorized bank
- Clients to each other.

#### **IV. CIRCUMSTANCES LEADING TO CONFLICTS OF INTEREST**

The Authorized bank examines situations potentially causing conflict of interest from at least the following three aspects:

- from a consumer protection aspect, especially with regard to the information asymmetries between the Authorized bank and the Business Partner;
- from a market supervision aspect, including the examination of any inappropriate use of insider information;
- from a prudential aspect, focusing in particular on fraud associated with by inefficiencies of process engineering or deficiencies in the internal control system or the internal procedural rules.

Any actual or potential conflicting interest that may have adverse consequences for the client must be considered a conflict of interest for the purposes of this Policy. The cases examined by the Authorized bank for conflict of interest include but are not limited to the following:

- relevant person is likely to gain a financial profit or avoid a financial loss to the detriment of a Business Partner;
- relevant person has an interest concerning the result of a service provided to the Business Partner or the transaction performed on behalf of the Business Partner, which interest is different from the one of the Business Partner concerning result;
- relevant person, due to some financial or other intensive, gives priority to the interest of another Business Partner or group of clients over those of the Business Partner;
- relevant person has interests in the same transaction as the Business Partner;
- relevant person receives any monetary or non-monetary benefit, or incentive in the form of a service, or will receive that in connection with the service provided to the Business Partner.

When developing services and introducing products, the Authorized bank will seek to prevent the generation of conflict of interest. If conflict of interest cannot be excluded in an area, the Authorized bank will develop such an internal organisational management and regulation environment which can guarantee that such conflict of interest will not be detrimental to the Business Partners. Nevertheless, it is not possible to exclude potential conflict of interest in the case of certain services and Business Partners, not even after proper measures have been taken. The Authorized bank will inform the client of these in advance to allow the Business Partner to make an informed decision on whether he/she wants to use the service.

#### **V. MANAGEMENT OF CONFLICTS OF INTEREST**

All actual or potential conflict of interest generated in the course of the Authorized bank's activities and having or potentially having adverse effects for the Business Partner must be managed by the Authorized bank. To avoid conflict of interest adversely affecting the Business Partners, the Authorized bank makes sure that the Relevant persons involved in the various business activities resulting in a conflict of interest perform their activities independently to the degree that it is appropriate to the activities and size of the activity of the Bank and the Banking Group, and the risk of the damage affecting the interests of the Business Partner.

To this end, the Bank (Authorized bank for activities performed by the relevant person through the Authorized bank) has developed procedures and measures designed to manage conflicts of interest that:

- To prevent or make impossible to any person to improperly influence the way in which relevant persons provide investment services;
- Remove any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of other relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;

- Prevent or control the exchange of information between relevant persons involving a risk of a conflict of interest which may harm the interests of one or more clients;
- Prevent or control simultaneous or sequential involvement of a relevant person in services, where such involvement may impair the proper management of conflicts of interest;
- Provide for 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 the interests of the Authorized bank.

If the measures and procedures specified in the Conflict of Interest Management Policy are not sufficient, the Authorized bank will have the right to apply additional measures to manage risks caused by conflict of interest.

If certain conflicting interests may result in a conflict of interest detrimental to and causing damage to the Business Partner and the Authorized bank has no efficient procedure in place to manage this situation, the Authorized bank will be required to disclose to the Business Partner the nature and source of such conflicting interests. The Authorized bank shall take all reasonable measures to eliminate any conflicts of interest that cause damage to the client.

The Authorized bank may only consider informing the client about the situation as the last resort in managing the conflict of interest if the effective organisational and administrative solutions developed by the Authorized bank to prevent or manage conflicts of interest prove insufficient to prevent damage to the Business Partner's interests in a substantially reliable manner. The information thereby provided shall clearly state that the organisational and administrative solutions developed by the Authorized bank to prevent or manage conflicts of interest prove insufficient to prevent damage to the Business Partner's interests in a substantially reliable manner. The information shall specifically describe the conflicts of interest that may surface when providing investment and/or supplementary services while taking into account the nature of the Business Partner receiving the information. The information provided to the Business Partner about the conflict of interest shall be detailed enough – including the general nature and sources of the conflicts of interest, the risks to the Business Partner as a result of the conflicts of interest, and the steps taken to mitigate such risks – to enable the Business Partner to make an informed decision about the investment or supplementary services with regards to which the conflicts of interest had surfaced. The information about the conflict of interest shall be provided to the Business Partner on a durable medium or, provided the relevant requirements are met, via the website.

The Authorized uses in particular the following procedures and measures to discover, prevent and manage conflict of interest situations:

- the Authorized bank has an independent compliance function whose tasks include, among others, the identification, prevention and management of conflicting interests and conflict of interest;
- the Authorized bank uses internal procedures to ensure that conflicts of interest are discovered and identified when new products and services are introduced or existing services are provided to a new group of Business Partners;
- the Authorized bank uses methods of organisational separation, i.e. the physical separation of organisational units or other methods, including in particular the introduction of barriers of access to information, the management and control structure within the organisation, and the maintenance of a sufficient level of independence;
- the Authorized bank has effective internal regulations and procedures in place that comply with the law and that prevent market abuse, including insider trading, the unlawful disclosure of insider information and market manipulation, and also prevent and abuse of the clients' confidential information protected by law or any other confidential information. For this purpose, the Authorized bank will keep, among other measures, records of transactions made on the employees' own account and personal transaction of the relevant persons as stipulated in and to the extent defined by law.
- the Authorized bank tracks trading in financial assets/instruments and verifies the transfer of insider information in order to prevent its employees trading in their own name or on the Authorized bank's

account from carrying out any abuse of such information to the detriment of other capital market players.

- the Authorized bank carries out the Business Partners' instructions/orders in accordance with the Implementation Policy. The Implementation Policy allows potential conflict of interest to be avoided when the instructions/orders are carried out and the Policy ensures that orders/instructions are fulfilled transparently, in a manner and subject to the terms disclosed to the Business Partners in advance;
- The Authorized bank uses internal procedural regulations to guarantee that Business Partners and groups of Business Partners receive equal treatment;
- The Authorized bank carries out investment analysis activities in accordance with the Law;
- information to its Business Partners about the general principles and the procedures applied by the Authorized bank to investigate and manage conflict of interest situations. If a Business Partner rated as a current or future retail client requests more information about the Conflict of Interest Management Policy, the Authorized bank's Employees will provide the requested information. The Conflict of Interest Management Policy is connected to the Business rules of the Authorized bank , which means that the Policy is available to Business Partners with the Business rules;
- the Authorized bank provides information to Business Partners in connection with services, products and conditions, and complies with the consumer protection rules and recommendations when providing the information;
- the Authorized bank monitors personal transaction of the relevant persons external shareholdings and additional employment relationships/other forms of legal relationship for the performance of work.
- the Authorized bank specifies rules applicable to its Employees for the provision and acceptance of financial and non-financial remuneration.
- the Authorized bank arranges training for its Employees concerning the identification, prevention and efficient management of conflict of interest situations;
- the Authorized bank identifies all potential conflict of interest that may originate from other activities of the Bank, and implements appropriate procedures for their management. In the event the Authorized bank cannot manage a specific conflict of interest by instituting appropriate procedures, it cannot participate in the transaction;
- as the investment enterprise providing the execution and research services and conducting guaranteeing and depositing activities, the Authorized bank ensures that it has appropriate control mechanisms to manage any conflict of interest between the various Business Partners using these activities and services;
- the Authorized bank possesses systems, control mechanisms and procedures designed to identify and prevent or manage conflicts of interest originating from the potential underpricing or overpricing of the issuing or the involvement of the affected parties in the process;
- the Authorized bank establishes, introduces and maintains effective internal solutions, specifically controlled data transfer, to prevent or manage conflicts of interest that emerge when the persons responsible for providing services to investment Business Partners are directly involved in the decision of the issuing client relevant to the recommendations given for the allocation;
- the Authorized bank has systems, control mechanisms and procedures to identify and manage conflicts of interest that emerge when providing investment services to investment Business Partners involved in a new issuing during which the Authorized bank receives a commission, a fee or other monetary or non-monetary benefit with regards to the organisation of the issuing;
- the Authorized bank develops, introduces and maintains clear and effective solutions to identify, prevent or manage any conflicts of interest, if it intends to deposit financial instruments of its own issue or issued by organisations belonging to the same group to its existing Business Partners (including existing deposit clients of credit institutions and the investment funds managed by organisations belonging to their group);
- the Authorized bank has solutions to identify, prevent or manage any conflicts of interest resulting from the loan or credit provided by the Authorized bank or an organisation of the same group to the issuing Business Partner may be repaid from the revenues realised on an issuing;

- the Authorized bank allows the information relevant to the financial situation of the issuer to be shared with organisations acting as lenders in the OTP group, provided that such sharing does not breaches the information restrictions implemented by the legal entity for the protection of the client.

## **VI. THE BANK'S PROCEDURE**

Taking into account the statutory requirements, the regulatory authorities' expectations and best practice applied in business, the Bank will develop appropriate internal regulations allowing situations of conflict of interest to be detected and managed efficiently.

With the participation of the affected organisational units, the Bank monitors potential conflicts of interest, defines the general types of the given conflicts of interest and, on the basis of this, the conflict of interest criteria and the procedures and measures applied for their management.

When a new product or service is introduced, or a service is offered to a new group of Business Partners, the Bank must discover the conflict of interest related to the product and if they result in a conflict of interest for the purposes of this Policy, the organisational unit will propose an effective procedure to manage the conflict of interest.

The Bank shall keep a Conflict of interest register of the investment services, supplementary services provided or investment activities performed by or on behalf of the Bank, during which any conflict of interest posing a risk of damaging the interest(s) of the Business Partner(s) occurred or may occur. This register will contain the measures and procedures applied in order to manage the identified conflicts of interest. At least once a year, the Board of Directors shall receive a written report on the current situations relevant to the Conflict of Interest register.

The Bank will continuously update the register with any reported cases, with cases of conflict of interest identified otherwise and with changes and modifications in the identified conflict of interest and the measures applied.

The Bank will review the Conflict of Interest Management Policy and the Conflict of Interest register regularly (at least annually) or, if necessary, carry out additional reviews. During the review the Bank will take the necessary actions to manage the deficiencies.

The Bank has a dedicated unit in charge of coordinating tasks related to conflict of interest situations and the maintenance of the register within the Bank.

In the case of questions or comments regarding the Conflict of Interest Management Policy, please contact the Bank for detailed information.

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