

Summary of conflicts of interest policy

Version 3, February 2021

1. Introduction

The website of CAPEX.com is owned and operated by Key Way Investments Ltd (hereinafter “the Company”). The Company is a Cypriot Investment Firm which is authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”), under licence number 292/16.

This summarised Conflicts of Interest Policy (“the Policy”) is provided to you (our Client or prospective Client) in accordance with the Investment Services and Activities and Regulated Markets Law of 2017 L. 87(I)/2017 (“the Law”), pursuant to which the Company is required to take all reasonable steps to detect and avoid conflicts of interest.

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 purpose of this document is to set out the Company’s approach in identifying and managing conflicts of interest which may arise during the course of its normal business activities. In addition, this document identifies circumstances which may give rise to a conflict of interest.

2. Scope

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

When the Company deals/transacts with 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 has identified the following circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more Clients, as a result of providing investment services:

- a. 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.
- b. the Company may be matching the Client's orders 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 be providing other services to associates or other Clients of the Company who may have interests in Financial Instruments or Underlying Assets, which are in conflict or in competition with the Client's interests.
- d. the Company is likely to make a financial gain, or avoid a financial loss, at the expense of the client.
- e. the Company may receive or pay inducements to or from third parties due to the referral of new Clients or Clients' trading.
- f. 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 on behalf of the Client, which is distinct from the Client's interest in that outcome.
- g. the Company or a Related person has a financial or other incentive to favour the interest of another Client or group of Clients over the interests of the Client.
- h. the Company or a related person carries on the same business as the Client.
- i. In some cases, the Company may be the counterparty to its client's positions (i.e., act as Principal) and therefore may stand to profit if the client losses.
- j. In some cases, the Company may trade its proprietary positions and at the same time may have knowledge of Client's future transactions via stop limit orders, as applicable.

4. General Procedures and Controls for Preventing and Managing Conflicts of Interests

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

- a. The Company undertakes ongoing monitoring of business activities to ensure that internal controls are appropriate.
- b. 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.
- c. The separate supervision of Related Persons whose principal functions involve providing services to Clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Company.
- d. Measures to prevent or limit any person from exercising inappropriate influence over the way in which the Related Person carries out investment services or ancillary services or activities.

- e. Measures to prevent or control the simultaneous or sequential involvement of a Related Person in separate investment services where such involvement may impair the proper management of conflicts of interest.
- f. A policy designed to limit the conflict of interest arising from the giving and receiving of inducements.
- g. Chinese walls restricting the flow of confidential and inside information within the Company, and physical separation of departments.
- h. Procedures governing access to electronic data.
- i. Segregation of duties that may give rise to conflicts of interest if carried on by the same individual.
- j. Personal account dealing requirements applicable to Related Persons in relation to their own investments.
- k. Establishment of in-house Compliance Department to monitor and report on the above to the Company's Board of Directors.
- l. Prohibition on officers and employees of the Company having external business interests conflicting with the interests of the Company without the prior approval of the Company's board of directors.
- m. A "need-to-know" policy governing the dissemination of confidential or inside information within the Company.
- n. Appointment of Internal Auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors.
- o. Establishment of the "four-eyes" principle in supervising the Company's activities.
- p. A policy designed to ensure that clients' orders are executed in terms favourable to them.

5. 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 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.

6. Specific Identification of Conflicts 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. The Company has identified the following circumstances which give rise to a conflict of interest entailing a risk of damage to the interests of one or more Clients as they cannot be sufficiently managed, as a result of providing

investment services:

(a) Commissions received by its Liquidity Provider:

The Company's Liquidity Provider pays the Company a rebate commission for the order flow sent for execution. For the Company to manage the potential conflicts arising out of this practice, it has put in place the below procedures and arrangements regarding the commissions received by its Liquidity Provider:

- (i) The Company has examined this and has recorded how the selection of the specific Liquidity Provider enhances the quality of the services provided to Clients and the steps taken in order not to impair the Company's duty to act honestly, fairly, and professionally in accordance with the best interests of its Clients. In particular, the selection of the Company's Liquidity Provider is not biased towards the most lucrative terms for the Company and best execution can be ensured. In addition, the Company may charge clients extra fees over and above the charges of its Liquidity Provider.
- (ii) The Company's Liquidity Provider has the capacity, ability, capability, knowledge, and experience to act as a price aggregator since it aggregates prices from different trading venues. Thus, the Company receives from its Liquidity Provider the already aggregated prices as part of its service to the company. This enables the Company to always comply with its Best Execution obligation, since the clients receives the best available price(s) from across a pool of price feeders.

The Company declares that this benefit does not induce it to favor the particular Liquidity Provider over other Liquidity Providers and it is confident that the Client would be better off under this arrangement compared to the use/employment of other arrangements (including other Liquidity Providers).

(b) Company's Personnel

It is understood that the Client's turnover shall not be reduced because of the inducement paid to the Company's personnel. In no case the commission shall affect the Client's return/turnover.

The variable remuneration may only be applied to Relationship Agents, Desk Managers, Account Representatives and Account Representative Managers hereinafter the 'Agents'.

The Relationship agents receive a fixed cost per acquisition or cost per lead for every client who fulfils certain conditions (such as completion of the Company's registration process or complete activation of an account as per paragraph 17.3 of the Terms & Conditions).

The Account Representatives will receive a fixed commission upon the completion of the online training provided to the client. Such training will be performed on a demo environment. All trainings will be recorded and monitored by the Company accordingly.

Whereas the Desk managers and/or Account Representative Managers will receive a fix percentage of the total commission generated by their respective teams, i.e. on the total commission generated for the month, by the total number of Relationship Agents/Account Representatives which form their respective team.

The above arrangements for the payment of variable remuneration to Relationship Agents, Account Representatives and Desk Managers/Account Representative Managers may potentially create a conflict of interest for the said employees not to act in the best interest of clients, however the Company applies prudent remuneration practices which are designed and implemented in a proper manner so that to eliminate such risks. For the Company to mitigate the said risk, the following measures are in place:

- (i) The Company has designed and implemented a Remuneration policy that is in line with all the laws and regulations regarding fixed and variable remuneration based on conditions.
- (ii) The company via the Quality Assurance Department (QA department) monitors a significant number of calls that are made by the relationship agents and the account representatives. The Company maintains a Quality Assurance Manual, containing the checks the QA agents perform on samples of calls, selected based on a risk-based approach, as well as criteria and guidelines for the risk classification of said calls. The Company is thus able to monitor the interaction with clients of the employees who receive variable remuneration, the quality of which has been set to directly impact the amount of variable remuneration they receive, if any.
- (iii) The Company has implemented the Compliance Call and the Follow Up Calls which are the two additional measures implemented for protection of the Client to make sure that the client is not pushed or mistreated in any way.
- (iv) Relationship Agents and Account Representatives are required to abide by written scripts which are drafted and pre-approved by the Company.
- (v) The reception and/or the level of the above-mentioned remuneration depends on both qualitative and quantitative parameters designed exclusively to prevent and/or eliminating situations of conflict of interest. These parameters include the total results and risk classification of the phone calls reviewed by the Qualitative Assurance (QA) Department of the agents for the month, the grade received on the periodic tests performed to the agents and the number of complaints will be received. The Company maintains a detailed Remuneration Policy specifying all afore-mentioned conditions for the afore-mentioned employees of the Company to receive

variable remuneration, as well as the impact of their performance on calls with clients and monthly tests by the Company.

(c) Affiliate's Commission

The Company may use affiliate(s) and sub-affiliates from time to time as a distribution channel. Key Way Group Ltd provides affiliation services to the Company through sub affiliation. The Company pays both affiliate and sub affiliates with inducements for the introduction of clients through the affiliates' website.

Both affiliate and sub affiliates are paid a fixed amount either on a pay per lead i.e., per the client who clicks on a banner or online advertisement and enters the Company's website and registers, and/or on a per activation basis i.e., per client who clicks on a banner or any online advertisement and enters the Company's website, registers, finalizes the onboarding process and makes a deposit.

For the Company to manage the potential conflicts arising out of this practice, and fulfil its obligation to act honestly, fairly and professionally acting at best in accordance with the best interests of its clients, upon payments of induction to any third party it has put in place procedures and arrangements regarding the commissions received by its Affiliates. Thus, the Company:

- (i) Performs Due Diligence and a comprehensive appraisal for the individual or the legal entity that will act as an affiliate, to ensure that is of sufficiently good repute.
- (ii) Ensures that the affiliate possesses the relevant means (i.e., maintain a website with relevant content) to introduce clients that belongs to the identified positive target market as this specified by the Company. A Detailed description of the Affiliate's source(s) of traffic (Digital and offline) which the Affiliate intends to use for the purposes of introducing potential Clients to the Company, will be further obtained.
- (iii) Any website that will be used by an affiliate, will be used upon only Compliance's prior approval.
- (iv) Ensures that the Company offers to the Affiliate only one-off payment for the introduction and no other payment scheme that may award its affiliates based on the trading volume shall be offered.
- (v) Ensures that any marketing material that will be used by the affiliate may be used upon only Compliance's prior approval.
- (vi) The Compliance function conducts, regular reviews of the affiliate parties' webpages to ensure that the approved material was not altered in any way that impairs or jeopardizes compliance with any regulations.
- (vii) The Company performs the Compliance Call which is mandatory to all Clients that make a deposit and is considered as an additional verification measure performed by the Company as the final step of the client's onboarding procedure. This additional measure can easily bring in light whether the client was pushed by the affiliate to make a deposit and/or whether has any negative feedback against the affiliate.

- (d) In the cases where the Company may act as a market maker and be the counterparty to its clients' positions (i.e., act as Principal), may stand to profit if the client losses; During these cases, there is an inherent conflict of interest.

For the Company to mitigate the said risk, the following measures are in place:

- the Company has designed and implemented a Best Execution policy that is in line with all the laws and regulations which clearly stating the considered factors when executing client's transactions.
- monitoring statistics related to frequency of rejections and re-quotes.
- monitoring the symmetry of the observed slippages (positive vs negative). Negative and/or positive slippage are examined both as at absolute values and per order type (market order, pending order i.e., stop order and limit order) and per traded instruments (applying the risk-based approach the Company gives more emphasis on the 10 top traded instruments).
- monitoring any complaints related to the quality of execution to ensure that any deficiencies are duly identified and improved.
- If the requested price is outside acceptable defined parameters when compared to the previous price received from the liquidity provider, an alert is triggered for the gap to be investigated. Where the price is verified and ensure that the gap is not because of fictitious price and reflecting the real market price, then the price is presented as available for clients to trade.

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 a group of Clients, the organisational 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 a group of Clients.

The disclosure will:

- 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, considering 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

The Company reserves the right to review and/or amend its Policy and arrangements whenever it deems this appropriate according to the terms of the Client Agreement between the Company and the Client.

Should you require any further information and/or have any questions about conflicts of interest please direct your request and/or questions to support@capex.com.