



Conflicts of Interest Management Policy

Version Control

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1. Introduction

This Conflicts of Interest Policy (“the Policy”) is applicable to services provided by entities within the OTCX Group (Firm), specifically OTCX Trading Limited and OTCX Europe BV.

When providing relevant services, OTCX will always act in the client’s best interest, putting clients’ interests ahead of its own. This Policy illustrates the measures that OTCX implements to identify, manage and prevent any conflicts of interest applicable to OTCX.

2. Regulatory context and applicable law

The following law and regulation are taken into account when writing this Policy:

- Article 16(3), 18 (4) and Article 23 of Directive 2014/65/EU (MiFID II);
- Articles 33 and 34 of MiFID II Org Regulation 2017/565;
- FCA Handbook - SYSC 10; and
- FCA Principle 8 - A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client.

3. Scope

A conflict of interest is defined as a situation where the Firm and/or its staff act in a way that is detrimental to the services provided to the clients.

A conflict of interest may arise in circumstances where the Firm or its staff:

- is likely to make a financial gain or avoid a financial loss at the expense of a client that the Firm manages;
- has an interest in the outcome of a service provided to the Firm or another client or of a transaction carried out;
- has a financial or other incentive to favour the interest of one client over another or of the Firm over a client;
- receives or will receive an inducement in relation to services provided in the form of money, goods or services other than the standard fees for that service;
- where a supervisor also has individual responsibility for revenue-producing activity in addition to supervisory control;

- receives inside information on a security that could be used for personal benefit and/or to the detriment of clients;
- provides services on an outsourced basis to other entities; and/or
- carries on the same business as a client.

Key Requirements to mitigate the risks mentioned above are as follows:

- OTCX takes all appropriate steps to identify and to prevent or manage conflicts as they arise during the course of business. This includes conducting a general annual Conflict of Interest risk assessment, Outsourcing due diligence and training for personnel;
- All conflicts of interest are recorded in the Conflicts of Interest Register, including the mitigation measures. Compliance includes these mitigation measures in the scope of their 2nd line monitoring;
- There is awareness among personnel to stimulate prevention and identification of conflicts of interest; and
- Where organisational or administrative arrangements made by OTCX to prevent conflicts of interest from adversely affecting the interest of its clients are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, the Firm shall clearly disclose to the client the general nature and/or sources of conflicts of interest and the steps taken to mitigate those risks. The disclosure shall be made in a durable medium and include sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict arises.

4. OTCX Conflict types and control arrangements

Given consideration of the conflict scenarios described in Section 3, the following list provides an overview of the conflict types applicable to OTCX with the respective control arrangements.

- **Intra-group arrangements** – Ownership structures, dual-hatted staff or other arrangements between intra-group companies including the operation of OTCX MTFs or the investment firms that could give rise to the appearance of a conflict of interest between the firm, employees, suppliers or clients. This would include monitoring local management independence as well as intra group resource and capital allocation. Conflicts of interest assessments are performed to identify appropriate mitigations or, if appropriate, adequate disclosure;

- **Inducements** – providing or receiving gifts and/or entertainment to receive undue advantage at the detriment of the best outcomes for the Firm’s clients and/or suppliers. This is mitigated by the rules and processes implemented as part of the Gifts & Entertainment Policy whereby employees are bound by set parameters which limit the potential of one customer and/or supplier to benefit at the detriment of another. Detective controls are implemented to monitor expenses and reconcile gifts & entertainment to pre-approval requests including frequency of gifts & entertainment provided or received from a specific party;
- **Personal Account Dealing** – employee trading on their own account by taking advantage of their position and access to information in a way that is detrimental to the firm’s clients. This is addressed by the Personal Account Dealing rules which prohibit front-running client orders and set specific parameters whereby employees are not allowed to focus on personal account dealing in a way that conflicts with their primary duties at the Firm. Detective controls include periodic checks of contract notes;
- **Outside Business Interest** – employees’ personal business interest conflicting with their duties at the Firm and the Firm’s interests. Staff are required to disclose any outside business interests including major holdings or directorships when joining the firm and annually thereafter via the Conflicts of Interests disclosure form;
- **Confidential information** – using confidential information obtained through the course of business activities that breaks confidentiality agreements with relevant clients or suppliers. This is addressed by the Data Protection rules whereby staff are required to always maintain confidentiality agreements with relevant parties and not to disclose any details that would impact the anonymity of the relevant clients or suppliers;
- **Outsourcing** – entering outsourcing arrangements because of personal business interests even if the outsourcing arrangement is not the most suitable arrangement for the firm. This is addressed by the rules set out in the SLA with vendors and internal Outsourcing rules. Outsourcing arrangements are reviewed on a periodic basis as part of suppliers’ list review;
- **Order Handling** - Preferential treatment of certain clients for order handling. All orders are required to be handled in line with the OTCX Order Handling Policy. Periodic monitoring conducted to review orders are handled in line with the standards as set out by the Order Handling policy

OTCX will maintain a Conflicts of Interest Register which details the specific conflicts identified as related to its business; all of which fall within one of the above types of conflicts of interest.

The Compliance and Risk Officer is responsible for the register. Records are retained for a period of 5 years as described in the Record Keeping policy, Section 13 in the “OTCX Group Compliance Handbook”.

5. Disclosure of Conflicts

Subject to terms agreed between OTCX and its clients, OTCX shall not undertake any activity in which OTCX has directly or indirectly a material interest nor have any relationship with another party which may involve a conflict with OTCX’s duty to its clients.

If arrangements made by OTCX under this Policy are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, OTCX will make such further disclosures as may be necessary.

Such disclosure, if necessary, will be made in a durable medium (e.g., in writing) and shall contain the following information:

- that the organisational and administrative arrangements established by OTCX to prevent or manage the conflict in question are not sufficient to ensure, with reasonable confidence, that the risk of damage to the interests of the client will be prevented;
- a specific description of the conflicts of interest that arise in the provision of investment or ancillary services;
- the risks to clients that arise as a result of the conflicts of interest; and,
- sufficient detail to enable a client to make an informed decision with respect to the service in the context of which the conflict of interest arises.

Disclosure to clients should only be used as a measure of last resort and, for the avoidance of doubt, over-reliance on disclosure of conflicts shall not be used as a way to mitigate against the risks posed by conflicts.

Where OTCX considers it is not able to manage the conflict of interest in any other way it may decline to act for a client.

Conflicts of Interest are reported into the Audit and Risk Committee on a quarterly basis as part of the Risk Management Framework.