



# **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 investment and ancillary investment services in accordance with the Law on Capital Market, and banking operations performed in accordance with the Law on Banks to its clients as part of its activities.

Under Law on Capital Market, as well as and Rulebook on organizational conditions for the provision of investment services, performance of investment activities and ancillary services and risk management the Bank 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 on Banks, Law on Capital market, the Rulebook on organizational conditions for the provision of investment services, performance of investment activities and ancillary services and risk management and other related legal acts, taking into consideration OTP Bank Plc. Policy defining Conflict of Interest management for this type of services, 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 credit 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

### **Law:**

Law on the Capital Market.

### **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.

### **Credit Institution:**

means a person authorized in accordance with provisions of the law governing prudential requirements for credit institutions; and in the Republic of Serbia, a credit institution means a legal person authorized in accordance with provisions of the law governing banks and/or credit institutions.

### **Bank**

OTP banka Srbija a.d. a.d. Novi Sad - A credit institution within the meaning of the Law, which has a license from the National Bank of Serbia to carry out banking activities in accordance with the Law on Banks and which has received a license from the Securities Commission to carry out the activities of an investment company.

### **OTP Group:**

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

### **The Capital Market Department:**

is a special organizational part of the credit institution intended to provide investment services from Article 2, paragraph 1, point. 2) and 3) of the Law. As part of its business activity, the Bank, i.e. the Capital Markets Department, within its competences, performs ancillary services from Article 2, paragraph 1, point 3) subpoints. (2) and (4) of the Law, which do not require the permission of the Commission;

### **Investment firm:**

means any company 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

### **Person related to the Bank:**

- 1) members of the banking group to which the bank belongs;
- 2) members of the Board of Directors 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 1, points 2 and 3 of the Law on Capital Market.

**Managers:** for the purposes of this Policy, persons employed in the Bank who have the consent and permission of the Securities Commission, according to the Rulebook of the Commission, as managers of the organizational part of the credit institution intended for the performance of investment services and activities, are the director of the Capital Market Department in the Bank and director of the Global Markets Directorate

**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 or a related representative;;
- b. managers or related representatives, member of the Executive board under whose competence is the provision of investment services and activities;
- c. a person employed in the Capital Market Department or this person's representative, internal controller, employees in the Bank's branches and Private Banking Department who provide investment services and activities as part of their regular business processes, employees in the Market Operations Administration Support Department/ Back office Directorate;
- d. any other natural person who is engaged by the Bank or this person's related representative to provide the investment services and activities;
- e. natural person who is directly involved in the provision of services to the Bank or this person's related representative on the basis of an agreement on the entrustment of business processes, and for the purpose of providing investment services and activities.

**A person who is closely related to the Relevant person is:**

- 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.

**Tied Agent** means a natural or legal person who, under the full and unconditional responsibility of only one investment firm or credit institution on whose behalf it acts:

- 1) promotes and/or provides investment and/or ancillary services to clients or prospective clients;
- 2) receives and transmits instructions or orders from the client in respect of investment services or financial instruments;
- 3) places financial instruments; or
- 4) provides advice to clients or prospective clients in respect of those financial instruments or services.

**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** means 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
- allows the unchanged reproduction of the information stored.

**Client**

means any legal or natural person to whom 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. Since the Bank qualifies as a credit institution providing investment and ancillary services, the Conflict of Interest Management Policy includes investment and ancillary services performed by the Bank in accordance with the Law on Capital Market.

The material scope of the Conflict of Interest Management Policy does not cover 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 OTP Group members' structure and business activities.

The Conflict of Interest Management Policy applies to the 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:

- between the Bank, including their managers, employees and tied agents, or any person directly or indirectly linked to them by control and its clients;
- Clients to each other.

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

The Bank examines situations potentially causing conflict of interest from at least the following aspects:

- from a consumer protection aspect, especially with regard to the information asymmetries between the 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 management or deficiencies in the internal control system or the internal rules of procedure.

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 Bank for conflict of interest include but are not limited to the following:

- relevant persons 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 Bank will seek to prevent the generation of conflict of interest. If conflict of interest cannot be excluded in an area, the 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 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 Bank's activities and having or potentially having adverse effects for the Business Partner must be managed by the Bank. To avoid conflict of interest adversely affecting the Business Partners, the 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 OTP Group, and the risk of the damage affecting the interests of the Business Partner.

To this end, the Bank has developed procedures and measures designed to manage conflicts of interest that:

- prevent or control the exchange of information between relevant persons involved in activities involving the risk of conflict of interest when such exchange of information could harm the interests of one or more clients;
- separates supervision of relevant persons whose main functions include performing activities on behalf of the client or providing services to clients whose interests may be in conflict or who otherwise represent different interests that may be in conflict, including the interests of the Bank;
- remove any direct connection between the remuneration policy of relevant persons who are mainly engaged in one activity and the policy of remuneration or income achieved by other relevant persons who are mainly engaged in another activity in the event that a conflict of interest may arise in connection with those activities;
- provide measures by which any person is prevented or restricted from exerting undue influence on the way in which the relevant person provides investment or ancillary services or performs activities;
- provide measures to prevent or control the simultaneous or consecutive participation of relevant persons in certain investment or ancillary services or activities if such participation could harm the proper management of conflicts of interest.

If the measures and procedures specified in the Conflict of Interest Management Policy are not sufficient, the 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 Bank has no efficient procedure in place to manage this situation, the Bank will be required to disclose to the Business Partner the nature and source of such conflicting interests. The Bank shall take all reasonable measures to eliminate any conflicts of interest that cause damage to the client.

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

- it has an independent compliance function whose tasks include, among others, the identification, prevention and management of conflicting interests and conflict of interest;
- it 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;
- it 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;
- it 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 Bank will keep, among other measures, records of personal transaction of the relevant persons as stipulated in and to the extent defined by Law;
- it 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 Bank's account from carrying out any abuse of such information to the detriment of other capital market players;
- it carries out the Business Partners' instructions/orders in accordance with this Policy. This 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;
- it uses internal procedural regulations to guarantee that Business Partners and groups of Business Partners receive equal treatment;
- does not accept any amount or benefit if that does not comply with the criteria stipulated under the Law;
- it 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 Banka 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 Bank's Employees will provide the requested information. The Conflict of Interest Management Policy is connected to the Business rules for investment services and activities and ancillary services of the OTP banka Srbija (**Reference ID: 8569**);
- it 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;
- it specifies rules applicable to its Employees for the provision and acceptance of financial and non-financial remuneration;
- it arranges training for Employees participating in the provision of investment services and ancillary services concerning the identification, prevention and efficient management of conflict of interest situations;
- it 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 Bank cannot manage a specific conflict of interest by instituting appropriate procedures, it cannot participate in the transaction;
- as the credit institution providing the execution and research services and conducting guaranteeing and depositing activities, the Bank ensures that it has appropriate control mechanisms to manage any conflict of interest between the various Business Partners using these activities and services;
- 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;
- it 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;
- 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 Bank receives a commission, a fee or other monetary or non-monetary benefit with regards to the organisation of the issuing;
- it 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 group);
- Bank has solutions to identify, prevent or manage any conflicts of interest resulting from the loan or credit provided by the Bank or an organisation of the same group to the issuing Business Partner may be repaid from the revenues realised on an issuing;
- 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 breach 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 has arisen or may arise 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 management board of the Bank 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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