

# **1 MANAGING AND AVOIDING CONFLICTS OF INTEREST**

## **1.1 General Provisions**

1.1.1 When providing services and conducting transactions, the employees and management board of the Credit Intermediary shall always favour the Users' and Non-user Borrowers' interests to their own and the Credit Intermediary's interests.

1.1.2 The operations of the Credit Intermediary shall be conducted following the principle of separation of functions of the structural units of the Credit Intermediary, and the employees and management board of the Credit Intermediary shall be prohibited from conducting certain transactions or required to immediately inform thereof in the event of possible conflict of interest.

1.1.3 The operations of different structural units of the Credit Intermediary and their conformity with applicable laws and internal rules shall regularly be checked by the internal auditor of the Credit Intermediary.

## **1.2 Objective**

The objective of the procedure for the management and avoidance of conflicts of interests is to prevent conducting transactions if it were to involve a person (User, Non-user Borrower or employee of the Credit Intermediary) with regard to whom a conflict of interest may arise.

## **1.3 Extent of Conflict of Interest**

1.3.1 The procedure shall apply to such situations and circumstances where the provision of services has caused or may cause a conflict of interest:

- between an employee of the Credit Intermediary and a Creditor;
- between the Credit Intermediary and a User;
- between the Credit Intermediary and a Non-user Borrower;
- between various interests of two or more customers of the Credit Intermediary to each of whom the Credit Intermediary is obligated;
- between a person in a control relationship with the Credit Intermediary and a customer of the Credit Intermediary.
- A situation where the Credit Intermediary earns income with the provision of services within their everyday economic activities and such activities do not harm the interests of the Users of the Credit Intermediary or Non-user Borrowers or cause them damages shall not be deemed a conflict of interest. A conflict of interest shall also not include a situation where a User of the Credit Intermediary earns income using the services of the Credit Intermediary and such activities do not harm the interests of other Users or cause them damages.

## **1.4 Circumstances Which May Cause Conflicts of Interest**

1.4.1 In order to determine whether a conflict of interest exists, the Credit Intermediary shall, as a minimum, take into account if an authorised person or a person in a control relationship with the Credit Intermediary or a person exercising control over the Credit Intermediary is in the following situation due to the provision of services or for any other reason:

- 1.4.1.1 where it is likely that an employee or a corresponding person of the Credit Intermediary benefits financially or avoids financial damages at the expense of a customer;

- 1.4.1.2 where it is likely that an employee or a corresponding person of the Credit Intermediary benefits financially or avoids financial damages on the account of a Creditor;
- 1.4.1.3 where the interests of an employee or a corresponding person of the Credit Intermediary in the result of the service provided or transaction conducted on behalf of a customer differ from the interests of the customer;
- 1.4.1.4 where an employee or a corresponding person of the Credit Intermediary is financially or otherwise motivated to favour some other customer's or User group's interests to those of the customer (the commission payable to the Credit Intermediary by a Creditor does not generally cause a conflict of interest);
- 1.4.1.5 where an employee or a corresponding person of the Credit Intermediary receives from a person other than a User a benefit in the form of money, goods or services in connection with services provided to the customer, and such benefit is not a commission or service fee usually payable for the services.

## **1.5 Rules, Processes and Other Measures for Solution/Management of Conflicts of Interest**

- 1.5.1 The management board and employees of the Credit Intermediary shall take every opportunity to manage or avoid conflicts of interest arising from the provision of services by using both organisational as well as technical means.
- 1.5.2 The management board of the Credit Intermediary shall define and approve rules which are to be followed and applied for the purposes of solving/managing conflicts of interest in order to ensure the required level of independence of the Credit Intermediary. The Credit Intermediary's measures include the following principles:
  - adherence to the principle of independence which shall prevent and keep in check exchange of information between persons connected to any activity which may cause a conflict of interests if such exchange of information may damage the interests of the Users of the Credit Intermediary;
  - elimination of any direct link between the remuneration of different employees performing different operations or between income they have created if their operations may cause a conflict of interest;
  - rules which prevent or limit any person from exerting inappropriate influence on the manner in which an authorised employee provides services or performs their duties.
- 1.5.3 In order to decide which rules are sufficient in the case of each particular conflict of interest, the management board of the Credit Intermediary shall consider the following circumstances:
  - the extent of risk of the conflict of interest damaging the interests of a single customer, group of Users or all the Users of the Credit Intermediary;
  - the structure of the Credit Intermediary and the nature, extent and complexity of their business;
  - the nature and selection of services offered in the course of such business.

## **1.6 Supervision over Adherence to Procedure**

- 1.6.1 The adherence to this procedure shall be monitored by the management board of the Credit Intermediary and internal auditor as per the procedures and methods of carrying out internal audits.
- 1.6.2 At the reasonable demand of the management board or internal auditor of the Credit Intermediary, the employees of the Credit Intermediary shall provide them information and explanations regarding the performance of their obligations arising from this procedure.

1.6.3 The management board of the Credit Intermediary shall ensure that the employees of the Credit Intermediary are aware of this procedure established by the Internal Rules (as amended from time to time) and undertake to follow it appropriately.

1.6.4 The management board of the Credit Intermediary shall ensure that the list of potential situations and circumstances of conflicts of interest described herein and the corresponding measures are regularly updated. The management board shall maintain a register of conflicts of interests which have actually occurred and damaged a customer's interests.

## **1.7 Liability**

1.7.1 A failure to adhere or properly adhere to this procedure by an employee shall be deemed a failure to perform or properly perform their duties in the case of which the provisions of liability of the Employment Contracts Act shall apply.

