

CONFLICTS OF INTEREST

1. INTRODUCTION

- 1.1. A conflict of interest may arise when a person is in a position of trust which requires him/her to exercise judgment on behalf of others and where he/she has interests or obligations that may influence the exercise of his/her judgment.
- 1.2. This policy sets out Ava Trade EU Limited (“Ava” or “the Firm”) approach to the identification and management of conflicts of interest under Directive 2014/65/EU of The European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (“MiFID”)
- 1.3. Under MiFID, the firm is to take all appropriate steps to identify and to prevent or manage conflicts of interest between themselves, including their managers, employees and tied agents, or any person directly or indirectly linked to them by control and their clients or between one client and another that arise in the course of providing any investment and ancillary services, or combinations thereof, including those caused by the receipt of inducements from third parties or by the investment firm’s own remuneration and other incentive structures.
- 1.4. Where organisational or administrative arrangements made by the firm in accordance with MiFID Article 16(3) to prevent conflicts of interest from adversely affecting the interest of its client are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, the investment 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 before undertaking business on its behalf.
- 1.5. The disclosure referred to in paragraph 2 shall:
 - (a) be made in a durable medium; and
 - (b) 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 of interest arises.

Ava therefore is required to maintain and operate effective organisational and administrative controls to take all reasonable steps to identify, manage, disclose and record conflicts of interest. In order to achieve this Ava has established and implemented a Conflicts of Interest Policy (“the Policy”).

2. IDENTIFICATION OF CONFLICTS OF INTERESTS

- 2.1. When the Company deals with the Customer, the Company, an associate or some other person connected with the Company may have an interest, relationship or arrangement that is material in relation to the Transaction concerned or that it conflicts with the Customer’s interest.

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- 2.2. For the purposes of identifying the types of conflict referred to above, the following criteria shall be taken into account in determining whether a conflict exists or may exist;

In the course of providing a service to a customer, is AvaTrade;

- 2.2.1. Likely to make a financial gain, or avoid a financial loss, at the expense of the customer.
- 2.2.2. Have an interest in the outcome of a service provided to the customer or of a transaction carried out on behalf of the customer, which is distinct from the customer's interest in that outcome.
- 2.2.3. Have a financial or other incentive to favour the interest of another customer or group of customers over the interests of the customer.
- 2.2.4. Carrying on the same business as the customer.
- 2.2.5. Receiving or will receive from a person other than the customer an inducement in relation to a service provided to the customer, in the form of monies, goods or services, other than the standard commission or fee for that service
- 2.2.6. Allowed to profit personally from an arrangement outside the compensation arrangements provided by Ava.

3. POTENTIAL CONFLICTS IDENTIFIED

- 3.1. The following investment services and activities and ancillary services carried out by or on behalf of AvaTrade have been identified as circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more customers:

- 3.1.1. AvaTrade is the counterparty to its customer's positions and therefore may make a financial gain, or avoid a financial loss, at the expense of the customer. AvaTrade may hedge its customer's positions within the AvaTrade group and therefore the commercial interests of the firm and the group are interlined
- 3.1.2. Customers may be referred to Ava by a third party who is remunerated by Ava. Such remuneration may be paid to another member of the AVA Group in relation to marketing activities connected with the on-boarding of new customers.
- 3.1.3. Ava does not provide recommendations to its customers but Ava does produce investment analysis and is also counterparty to its customer's positions.

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4. MANAGEMENT OF IDENTIFIED CONFLICTS

4.1. The following provisions apply for the purposes of dealing with the specific conflicts and potential conflicts identified above:

- 4.1.1. AvaTrade is the counterparty to all trades and manages its risk based on aggregate risk exposure across all customers and instruments.
- 4.1.2. The AvaTrade Group hedges its net risk with counterparties which means that customers objectives are more aligned with its own objectives notwithstanding it is acting as principal in all transactions. As AvaTrade does not provide investment advice no conflict can arise from this source. It is not within the scope of the company's regulatory permissions to provide investment advice.
- 4.1.3. Fees may only be paid/received to/from third parties in line with the specific MiFID tests:
 - 4.1.3.1. the existence, nature and amount of the fee, commission or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, is clearly disclosed to the customer, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant investment or ancillary service;
 - 4.1.3.2. the payment of the fee or commission, or the provision of the nonmonetary benefit;
 - 4.1.3.2.1. Is designed to enhance the quality of the relevant service to the customer; and
 - 4.1.3.2.2. Does not impair compliance with the Firm's duty to act in the best interests of the customer.
 - 4.1.3.2.3. Persons will be prevented/limited from exercising inappropriate influence over the way in which a relevant person carries out services.

5. INVESTMENT RESEARCH

5.1. Financial analysts and any other relevant persons involved in the production of investment research must not make recommendations and subsequently undertake personal transactions or transactions on behalf of AvaTrade;

- 5.1.1. in financial instruments to which the investment research relates, or

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5.1.2. in any related financial instruments,

6. OTHER CONFLICTS OF INTEREST

6.1. The following measures have been adopted in relation to other conflicts of interest:

- 6.1.1. AvaTrade undertakes ongoing monitoring of business activities to ensure that internal controls are appropriate.
- 6.1.2. AvaTrade ensures segregation of duties that may give rise to conflicts of interest if carried on by the same individual.
- 6.1.3. AvaTrade's Internal Auditors ensures that appropriate systems and controls are maintained and reports to the Board of Directors.
- 6.1.4. When AvaTrade executes an order for a customer it does not give any preferential treatment to that customer to the detriment of other customers and does not disclose the details of one customer order to other customers.
- 6.1.5. AvaTrade executes all orders electronically, in accordance with policies that comply with relevant rules and regulations in relation to transactions which are executed for or on behalf of customers.
- 6.1.6. All employees of AvaTrade are prohibited from accepting gifts or other inducements from any person with any material interest which is likely to conflict to a material extent with any duty which AvaTrade and/or its employees owe in connection with its treating customers fairly policy or any duty which such a recipient owes to customers.

7. COMPLIANCE CULTURE

AvaTrade is committed to having an effective and appropriate compliance culture to enable it to deal with any new potential conflicts of interest which may arise in the future. AvaTrade's employees are therefore required to monitor any new circumstances giving rise to potential conflicts and to implement appropriate measures to address these

8. DISCLOSURE

In the unlikely event that AvaTrade's arrangements to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a customer will be prevented, AvaTrade are required to clearly disclose the general nature and/or sources of conflicts of interest to a customer before undertaking business for them