



Interactive Brokers Central Europe Zrt.

ANNOUNCEMENT

Annex 5 to the GBR:

Conflict of Interest

Valid from: 14 December 2020

1. ENFORCEMENT

Interactive Brokers Central Europe Zrt (hereafter “IBCE” or “The Company”) are responsible for complying with the rules and procedures for Conflict of Interest.

The purpose of this Announcement is to set out how IBCE prevents, discovers and manages potential and actual conflicts of interest where IBCE provides investment services to its clients. This Announcement therefore sets out the company’s overall approach in properly identifying and managing conflicts of interest.

2. LEGAL / REGULATORY REFERENCE

The requirements related to the identification and management of conflicts of interest derive from the following regulatory texts:

- 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; and
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
- Act CXXXVIII. of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities;
- Act CXX. of 2001 on capital markets;
- Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)

3. SCOPE AND EFFECT

The conflict of interest rules apply to all employees and persons who are in a legal relationship with the Company for the purpose of performing work (hereinafter jointly: employees) and to all service providers (including those that perform outsourced services to the Company) and affiliates of Interactive Brokers Group (IBG) acting for or on behalf of IBCE (hereafter the “Service Providers”).

4. KEY DEFINITIONS

TERMS	DEFINITIONS
ED	Executive Directors
CEO	Chief Executive Officer
SB	Supervisory Board
MNB	Magyar Nemzeti Bank (Central Bank of Hungary)
CCO	Chief Compliance Officer
IBG	Interactive Brokers Group
IBCE	Interactive Brokers Central Europe Zrt.

5. IDENTIFICATION OF CONFLICT OF INTEREST

5.1. DEFINITION OF A CONFLICT OF INTEREST

A conflict of interest is a conflict that can arise in any area of business, in the course of providing an investment service or a services auxiliary to investment services, and whose existence may damage the interests of a client. A conflict of interest arises when one’s work could be affected by one’s personal financial matters or a close personal relationship. A conflict of interest could also arise if one’s work could be affected by a personal interest of

one's close family or any other close personal relationship with an individual. A conflict of interest becomes significant if any person - within or outside of the Company - might reasonably believe there is a risk of your actions, or those of a personal associate, being inappropriately influenced.

5.2. EXAMPLES OF SITUATIONS OF CONFLICT OF INTEREST

Conflicts of interest, or perceived conflict of interest, may arise in various ways, such as the ones described below.

The IBCE has identified the following areas as representing a greater risk given the nature of its business:

- The IBCE employees deceive clients while performing work in order to increase the profit or to avoid loss of IBCE to the disadvantage of the client.
- The IBCE employees trading for their personal accounts based on the client's transactions.
- The IBCE employees engaging in outside business interests that may be to the disadvantage of IBCE or its clients.
- IBCE employees fostering a (group of) client's interest over interests of other clients, causing possible financial loss to another such client.

Conflicts of interest, or potential conflict of interest, typically arise in the following cases:

- The IBCE, its employees Service Providers is likely to make a financial gain or avoid a financial loss to the detriment of the client,
- The IBCE, its employees, Service Providers has an interest in the result of the service provided to the client or in a transaction performed on behalf of the client, which interest is different from the client's interest in the result,
- The IBCE, its employees, Service Providers favors the interests of another client or group of clients over the interests of the client due to financial or other incentives,
- The IBCE, its employees, Service Providers has an interest in the same business as the client,
- The IBCE, its employees, Service Providers receives or will receive an incentive in the form of a cash or non-cash benefit or service from a person other than the client in connection with the service provided to the client,
- A client may benefit or avoid a loss to another client's probable disadvantage

The disadvantage is probable

- if it can be expected to occur with high certainty on the basis of known market developments,
- in case of a transaction for which the IBCE requests or accepts an incentive after the transaction and the amount or method of calculation of the incentive has not been disclosed to the client before the service is provided,
- in case of a transaction involving a financial instrument that's issuer or fund manager may be linked to the IBCE or to the same group as the IBCE and the fact has not been disclosed to the client before the service is provided.

The IBCE, its employees, Service Providers – by misusing inside information – may gain an illegal advantage, regardless of whether another company or a third party may suffer a loss as a result. The circumstances leading to conflict of interest are typically the following:

- interest in the transaction,
- remuneration, acceptance of incentives,
- accepting gifts,
- personal transactions of employees,
- parallel activities of employees,
- misuse of inside or confidential information,

- market manipulation,
- allocation.

6. DISCLOSURES OF CONFLICTS OF INTEREST

In view of the nature of the IBCE's business model, services offered, and activities performed, IBCE takes all appropriate steps to identify, prevent and manage circumstances which may give rise to real or potential conflicts within IBCE and also with respect to other relationships such as those between:

- (i) two clients;
- (ii) the IBCE's clients and IBCE or any employee of IBCE or existing outsourcing service provider, including a service provider within IBG;
- (iii) the IBCE and the IBCE group companies;
- (iv) the IBCE and employees of IBCE, including managers and executive employees;
- (v) the IBG's group companies, or any person directly or indirectly linked to the IBCE or the IBG group companies by control; or
- (vi) the IBCE and a potential or existing outsourcing Service provider, including a service provider within the IBG.

If measures taken by IBCE are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client can be prevented, IBCE's Compliance function discloses to the client the nature of the conflict of interest, the sources of the conflict of interest and the steps to be taken to mitigate those risks to the client before undertaking business for the client.

The disclosure is made via a durable medium with a sufficient specific description of the conflicts of interest that arise in the provision of IBCE's services, taking into account the nature of the client, and the risks to the clients that arise as a result of the conflicts of interest to enable the client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

7. REGISTER OF CONFLICTS OF INTEREST AND PERSONAL TRANSACTIONS

IBCE maintains and operates effective organizational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from adversely affecting the interests of our clients.

IBCE maintains a register of the investment services and ancillary services carried out by or on behalf of IBCE which could give rise to a conflict of interest and maintains a register on the personal transactions of the employees. This register serves to facilitate the management of potential conflicts of interest.

8. IBCE POLICIES TO PREVENT AND MANAGE ANY POTENTIAL CONFLICTS OF INTEREST

IBCE has identified within its conflicts of interest register a range of circumstances which may give rise to a potential conflict of interest, none of which are a material risk to IBCE clients. IBCE is of the view that the nature, scale and simplicity of IBCE's business model does not give rise to conflict of interests involving a material risk to IBCE customers. The conflict of interest is further mitigated by the relatively limited scope of IBCE's activities.

For example, IBCE:

- does not engage in portfolio managements services,
- does not issue investment advice to its customers, all of whom make their investment decisions,
- does not influence or encourage customers to utilize any strategies,
- and does not issue formal research and investment analysis.

IBCE has identified a range of circumstances which may give rise to a potential conflict of interest and, albeit not a material risk to IBCE clients, puts in place specific measures and controls to prevent, manage and mitigate conflicts of interest.

Employees follow written supervisory procedures to address conflicts of interest arising out of the normal course of business including, but not limited to: employee personal trading and outside business interests; information barriers; and, derivatives clearing.

8.1. PERSONAL CONFLICTS OF INTEREST

To avoid personal conflict of interest employees of IBCE, other persons performing work for IBCE under other legal relationship and their close relative¹ may:

- not have a direct or indirect shareholding in another investment firm outside of IBG,
- not be a trader, an employee or an executive in another investment firm outside of IBG or any company that has a direct or indirect shareholding in another investment firm outside of IBG,
- not be an employee of the issuer of a listed security (excluding the case of a security issued and listed by a member of IBG).

8.2. SEGREGATION WITHIN THE ORGANIZATION

IBCE uses information boundaries within its organization to avoid conflict of interest. Information boundaries are the means of preventing the flow of information between individual organizational units and IT systems, which are contained in the regulations referred to in these regulations.

The purpose of the separation of departments is to ensure that IBCE and its employee is not in a position to influence transactions between its customer, the various financial and capital market business lines and other market participants in the light of the information available to it in relation to its activities.

8.3. ACCEPTANCE OF GIFTS OR OTHER INCENTIVES

Employees of IBCE, persons performing work for IBCE under other legal relationship and their close relative may not request, accept, or give material or non-material benefit, advantage, except if:

- to or from a client or any person proceeding on its behalf and the benefit is given in relation to the investment or ancillary services provided by IBCE
- the method used to calculate the material or non-material benefit, or the amount of the benefit, has been accurately, consistently and clearly disclosed to the client prior to the conclusion of the contract or order and the benefit is given for improving the quality of the activity performed or the service provided and IBCE proceeds on the primacy of the Client's interest
- the benefit is related to the investment or ancillary services provided by IBCE and IBCE proceeds on the primacy of the Client's interest
- the benefit's value is small or symbolic (e.g. flowers, invitation for coffee).

8.4. REMUNERATION POLICY

The remuneration policy of IBCE is consistent with effective and efficient risk management, facilitates its application and does not encourage the Company or its employees to take risks in excess of its risk limits.

The Company develops the remuneration structure of the employees performing the internal regulation and control function in such a way that it does not compromise their independence or it does not create a conflict with their supervisory role or their advisory and reporting role that they perform towards the CEO and the SB.

The remuneration of the managers and employees of the internal regulation and control functions is directly independent of the performance of the departments supervised by them. The Company operates an incentive system that takes greater account of the risk-return ratio and compliance with risk management rules. The remuneration policy is in line with the Company's business strategy, the objectives, values and long-term interests, and includes measures to avoid conflicts of interest.

¹ Close relative under Hungarian law (the Civil Code of Hungary) is: the spouse, the direct relative, the adopted child, stepchild and foster child, the adoptive parent, stepfather and foster parent, the sibling, the life partner, the spouse and sibling of the direct relative and the spouse of the sibling.

8.5. TRAINING

The Compliance department conducts or organizes a conflict of interest training at least once a year. The scope of the training includes all the provisions that the Company has put in place to prevent conflicts of interest. The Compliance department, with the involvement of the European Human Resources, ensures that all employees state in writing that they know and observe the conflict of interest rules.

8.6. OTHER POLICIES

In addition to these regulations, the Company's internal policies, in particular the Best Execution Policy, the Remuneration Policy and the market abuse regulations, together ensure that conflicts of interest are avoided.

8.7. REPORTING OBLIGATION

The Compliance Officer provides the CEO and the SB information on conflicts of interest at least annually, as part of its annual report.

The report shall include the cases of conflicts of interest from the register for which risk mitigation measures have been taken.

8.8. PUBLICATION OF THE EXTRACT OF THIS WSP

The general business rules of IBCE shall contain a summary of this WSP as its annex and shall be published on the website of IBCE.

9. REVIEW AND MANAGEMENT OVERSIGHT

9.1. MANAGEMENT ACCOUNTABILITY

IBCE's CEO oversees that this Policy provides for the effective handling of conflict of interest within IBCE.

9.2. DISCLOSURES OF CONFLICTS

In the unlikely scenario where a situation gives rise to conflicts of interest, IBCE employees are required to report in writing any conflict of interests to the IBCE Compliance department. Every disclosure and any related issue are reviewed and clearly documented. IBCE keeps a written record of the conflict of interest as well as of the process from when a conflict of interest is identified.

According to section 8 of this WSP, if the measures taken by IBCE are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client can be prevented, IBCE discloses the nature of the conflict of interest, the sources of the conflict of interest, a specific description of the conflict of interest and the steps to be taken to mitigate those risks to the client before undertaking business for the client. The description shall explain the general nature and sources of the conflicts of interest and the risks to the client as a result of the conflicts of interest and the steps taken to reduce those risks; all in sufficient detail to enable the client to make an informed decision regarding the investment or ancillary service in respect of which conflicts of interest arise.

The information should clearly state that the organizational and administrative solutions developed by the Company to prevent or manage conflicts of interest are not sufficient to ensure with sufficient reliability to prevent the risk of harm to the client's interests.

Such disclosure is made via a durable medium before undertaking business for the client and includes sufficient detail, taking into account the nature of the client, to enable him to take an informed decision with respect to the service in the context of which the conflict of interest arises.

Over-reliance on disclosure without adequate consideration as to how conflicts may appropriately be managed is not permitted. IBCE treats disclosure of conflicts as a measure of last resort to be used only where the effective organizational and administrative arrangements established to prevent or manage its conflicts of interest are

not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client is prevented.

9.3. PERIODIC REVIEWS

The CCO regularly reviews, any conflict of interest register to maintain effective and appropriate management.

9.4. RESPONSIBILITIES OF THE COMPLIANCE DEPARTMENT

The Compliance Department is responsible for overseeing that conflicts of interest are considered in decisions made at senior management level and it reviews annually the conflicts risk assessment to ensure that risks are identified and that appropriate internal controls are in place.

10.RECORDS MANAGEMENT

Records are created and maintained in a manner that ensures that they are clearly identifiable, accessible, and retrievable in order to be available when required. All records are complete and accurate to show proof of validity and authenticity. The length of time for retaining records depends on the type of record and its importance to business functions. It's a fundamental requirement that all the records are retained for a minimum period for legal, operational reasons.

It is made reference to the global record keeping retention rules maintained by Compliance Technology to define the retention period for the various categories of records.