

## Conflict of Interest Policy

Following the implementation of the Second Markets in Financial Instruments Directive (MiFID II) and in accordance with the provisions of the Financial Services and Activities and Regulated Markets Law L. 87(I)/2017 (hereinafter collectively referred to as the “Law”), IQOption Europe Ltd (the “Company”) is required to establish and provide its clients and potential clients a Conflicts of Interest Policy (the “Policy”) and take all reasonable steps to implement effective procedures for the identification, prevention and management of conflicts of interest.

### 1. Interpretation of Terms

In this Policy, except where the context otherwise requires, the following terms shall have the following meaning:

**Company** shall mean IQOption Europe Ltd, a Cyprus Investment Firm with registration number HE327751 formed under the Laws of Cyprus and regulated by the ‘Cyprus Securities and Exchange Commission (CySEC)’ with license number 247/14 and with its registered office at Yiannis Nicolaides Business Center, Agiou Athanasίου Avenue 33, 4102, Agios Athanasios, Limassol, Cyprus.

**Client(s)** shall include all existing and potential Clients of the Company, regardless of their categorisation.

**Conflict of Interest** entails a situation in which the concerns or aims of two parties are incompatible i.e. in conflict with each other. For the purpose of this Policy, and in general terms, Conflict of Interest will be considered to exist in situations where the Company may make financial gain when providing investment services and/or ancillary services (or a combination thereof) which is in turn detrimental to one or more Clients.

**Inducements** shall mean incentives (i.e a fee, commission or non-monetary benefit) that persuade or lead someone to act in a particular way and/or make particular decisions.

**Relevant Persons** shall include directors, partners, managers or appointed representatives, employees, business introducers (affiliates), legal or natural persons involved in the provision of services to the Company, in particular those who provide services under an outsourcing agreement, and any other related parties.

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## 2. Purpose & Scope of the Policy

The Policy sets out the Company's procedures and clearly identifies circumstances which may give rise to conflicts of interest, where the Company cannot ensure, with reasonable confidence, that risk of damage to client interests will be prevented.

The Policy identifies the possible types of conflict of interest that arise in the course of the Company providing investment and ancillary services (or a combination thereof) and whose existence may damage the interests of a client, as well as the procedure for such identification and the measures taken by the Company to prevent, manage or limit such conflicts.

The Policy is set out in writing and appropriate to the size and organisation of the Company, and the nature, scale and complexity of its business.

The Policy applies to the Company and its directors, managers, employees, affiliates and any other persons directly or indirectly linked by control to the Company ("relevant persons"), whether as a result of providing investment or ancillary services or investment activities or otherwise. By way of minimum criteria, the Company takes into account the following situations:

- The Company and/or any relevant persons are likely to make a financial gain, or avoid financial loss, at the expense of the client;
- The Company and/or any relevant persons have an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- The Company and/or relevant persons have a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- The Company and/or relevant persons carry on the same business as the client;
- The Company and/or relevant persons receive, or will receive, from a person, other than the client, an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

In addition, the Company takes into account the situations and Conflicts of Interest arising as a result of the structure and business activities of other members of the group and/or related parties.

The Policy identifies the procedures and measures taken by the Company which are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest (as specified above) carry on those activities at a level of independence appropriate to the size and activities of the Company, and to the materiality of the risk of damage to the interests of clients.

The Policy's procedures are aimed at:

- Preventing and controlling the exchange of information between relevant persons engaged in activities involving a risk of conflict of interest where the exchange of that information may harm the interests of one or more clients;
- Separating the supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Company;
- Removing any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- Taking measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;
- Taking measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest.

If the adoption or practice of any of the above measures/procedures does not ensure that requisite degree of independence, the Company adopts such alternative or additional measures/procedures as are necessary and appropriate for those purposes.

### **3. Identification of Potential Sources of Conflicts of Interest**

Taking into consideration the services the Company offers; potential sources of Conflicts of Interest may arise as a result of:

- 3.1. The Investment services and/or ancillary services (or a combination thereof) provided by the Company to, for, with, and/or on behalf of its Clients:

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- 3.1.1. The matching of Client Orders, in relation to financial products/instruments (namely Contracts for Differences (CFDs) and Options) with that of another Client, as such acting on both Clients behalf;
  - 3.1.2. The Company may be providing services to other clients of the Company who may have interests in Financial Instruments, which are in Conflict or in competition with Client interests;
  - 3.1.3. The Company is dealing with Clients as a counterparty and as such profits from Clients' losses;
  - 3.1.4. The Company may have an interest that is contrary to Clients' transactions, e.g. when the Client trades in securities or Underlying Markets where the Company acts as a market maker or when the Company wishes to invest in the same Financial Instrument as the Client;
  - 3.1.5. The maximising of trading volumes in order to increase revenues, which may directly conflict with the Client's interest, if that interest is in minimising the volume of trades they perform.
  - 3.1.6. Any other inducements received or granted by or to third parties in connection with investment services and/or ancillary services (or a combination thereof).
- 3.2. Inducements, commissions, remuneration, gifts etc.
- 3.2.1. Performance based remuneration and/or inducements granted or paid to employees of the Company, by the Company, which may negatively affect the Client and incentivise aggressive marketing tactics and repeated phone call making;
  - 3.2.2. Remuneration and/or inducements granted or paid to third parties (affiliates or business introducers) based on referral and on-boarding of new clients, which may negatively affect the Client and incentivise aggressive marketing tactics and the use of misleading information;
  - 3.2.3. Remuneration and/or inducements granted or paid to third parties who provide services under an outsourcing agreement, if such remuneration incentivises practises that are in conflict to the interests of the Company's clients;

It should be noted that the above scenarios do not necessarily give rise to a 'Conflict of Interest' or to any material damage to the Client, but are disclosed in the interest of full transparency. The above

scenarios should be considered in relation to the procedures and measures implemented by the Company in order to manage or limit their impact.

#### 4. Managing Conflicts of Interest

The Company maintains and operates effective organisational and administrative procedures in order to manage and prevent any conflict of interest that may arise and may constitute or give rise to a risk of damage of our clients' interests.

This section of the Policy will outline the measures taken by the Company in general, as well as in respect of the above list of identified possible Conflicts of Interest (where applicable):

##### **General Measures:**

1. The Company has in place an Internal Procedures Manual (IPM) consisting of internal policies, measures, procedures and controls created with the interests of the Company's Clients in mind. The IPM is monitored on an ongoing basis and reviewed to ensure its appropriateness and accuracy;
2. The Company has in place procedures for the employment of persons who are considered knowledgeable and competent, as well as for training of said employees;
3. The Company has in place procedures for the due diligence of third persons/outsourced providers to ensure they are competent to perform the services allocated to them. In addition, monitoring is made by the Compliance Function to ensure compliance with the Terms of the service agreement;
4. The Company has implemented procedures governing access to electronic data so that the persons engaged in each department do not have direct physical access to records and information concerning the subject matter of another department and which are not considered necessary for the execution of specific work;
5. The Company has separate supervision and segregation of departments / functions which provide services to clients, whose interests may conflict with those of other clients or with the interests of the Company;
6. The Company segregates all responsibilities which, if performed by the same employee, may give rise to a conflict;

7. Information Barriers: The Company respects the confidentiality of information it receives from and about its Clients and operates a 'Need to Know' approach. Access to confidential information is restricted to those who have proper requirement for the information consistent with the interest of a Client of the Company.
8. The Company has applied "Chinese walls" and physical separation of key departments with the aim of restricting the flow of confidential and inside information within the Company;
9. The Company prevents or limits any person from exercising inappropriate influence over the way in which a relevant person provides Investment or Ancillary Services or Activities;
10. Establishment of an in-house Compliance Function whose responsibilities include the monitoring and reporting of the Companies procedures and policies, as well as the identification of potential Conflicts of Interest whilst making recommendations for their management/limitation. The Compliance Function is further responsible for the monitoring of the Company in relation to its governing legislation, as well as preventing the misuse of insider information and market manipulation;
11. The Company has appointed an Internal Auditor to ensure appropriate systems and controls are maintained and properly reported to the Company's Board of Directors
12. The Company has established the "4-eyes" principle in supervising the Company's activities;
13. The Company has procedures related to personal account dealing applicable to relevant persons in relation to their own investments. Under the Company's rules, restrictions are placed on personal transactions, and any accounts held by relevant persons/employees of the Company, must be identified immediately to the Company's Compliance Function. Such transactions and accounts are then monitored in order to identify any potential breaches of the Company's rules in this area.

**Measures in relation to the Investment services and/or ancillary services of the Company:**

1. Clients orders are executed in line with the Company's 'Order Execution Policy' which requires the Company to take all sufficient steps to achieve best overall trading results for Clients;
2. The Company does not provide any preferential treatment to any one Client or group of Clients and warrants that it ensures fair treatment to all Clients and their orders;
3. The Company's internal systems automatically execute Client orders/transactions in the order they are received.

\*\*The prices quoted for our Financial Instruments are derived from the prices obtained from the regulated exchanges these Instruments are traded on, or based on prices received from reputable price feed providers and regulated liquidity providers.

### Measures in relation to Inducements, commissions, remuneration, gifts etc.

1. **Employee Remuneration Policy:** The Company, in accordance with its governing legislation, does not remunerate (bonus) employees based on any factors that may create a conflict of interest with the Clients they communicate with (if applicable). Employees are remunerated based on Key performance indicators within their Departments, which are approved by the Compliance Function and the Board of Directors.
2. **Affiliate Remuneration:** The Company remunerates its affiliates (business introducers) on the basis of client transactions (% commission), as such the remuneration may give rise to conflicts of interest that may negatively affect the Client and incentivise affiliates towards aggressive marketing tactics or the provision of misleading information to increase their own commission.

In particular, the commission of the Affiliate is paid in the following way:

#### Definitions:

For the purposes of paragraphs B and C of the section *“Measures in relation to Inducements, commissions, remuneration, gifts etc.”*, the following terms shall have the below meaning:

**Active Trader** means an Affiliate Client (as defined below) who has made at least one deposit and conducted at least one trade following such deposit via her/his IQOption Account;

**Affiliate Client** means a user that:

- is a Referred Client (as defined below);
- has never applied to register nor has ever been registered with the Company;
- has successfully registered for an IQOption Account; and
- is not a Connected Person (as defined below);

**Referred Client** means a client that has been referred by Affiliate in accordance with Tracking (as defined below) and such client has been referred for the first time, is not the Affiliate’s relative, spouse and/or a connected person to the Affiliate in any way;

**Tracking** means the tracking through IQOption’s website and/or any other online tracking tool that may be used from time to time by IQOption, in order to track which users and/or clients are

referred for the registration of an IQOption Account through the Affiliate's links and/or Affiliate Account;

When referring to the definition of Affiliate Client, Active Trader (as defined above) shall also be included;

**Connected Person** means any person associated (either directly and/or indirectly) with the Affiliate, including any member of the Affiliate's family, any legal person (of any form or manner) whether incorporated or not, whether directly or indirectly controlled, controlling or under common control with the Affiliate;

**IQOption Account** means the Company's trading account.

### **General criterias for the calculation of the Affiliate's payment**

Having regard to the Affiliates' payment calculation, the Company's system always takes into consideration the following three criteria:

1. The Affiliate Client's in/out ("trader's deposits minus his/her withdrawals") shall not exceed a cap of 50%;
2. Affiliate Client's result of an individual transaction and Company's revenues generated accordingly (see below point 1 in 'Product breakdown');
3. Company's revenues generated from all Affiliate Clients' activity and the Affiliate has not been remunerated more than 50% of the amount equal to all Affiliate's Clients total in/out (see below point 2 in 'Product breakdown').

### **Product breakdown**

In regards to all the products described in the paragraph "Remuneration" below, the following conditions are applied:

1. once a Client's transaction and/or deal is executed and/or closed: if all criterias listed above in the paragraph 'General criterias for the calculation of the Affiliate's payment' are met, 2.5% of the transaction and/or deal size is credited to the Affiliate's balance. Whether at least one of the three (3) criterias listed above is not met, nothing will be credited to the Affiliate's balance.
2. once every twenty four (24) hours: the Company's revenues generated in relation to Affiliate Client are calculated; If criteria 1 and 2 (listed above) are met, and additionally the Company's revenues generated in relation to Affiliate Clients' activity exceed the already credited 2.5%

value of the transaction/deal size, up to 70% of the amount (percentage depends on multiple factors, see below) of Company's revenues derived from Affiliate Clients' activity is credited to the balance of the Affiliate for each such Affiliate Client.

For any further clarification as to what constitutes "revenue" for the purposes of this Agreement, reference can be made in section "3. Identification of Potential Sources of Conflicts of Interest" subsection 3.1.3. of the present Conflicts of Interest Policy.

### **Remuneration**

Based on the aforementioned information, the Affiliates' remuneration is calculated on the basis of the below and is divided between the Affiliates registered before September 3, 2018 and Affiliates registered on or following the September 3, 2018 as presented below:

#### **1. For Affiliates registered before September 3, 2018:**

The commission shall be calculated on the below basis:

- Options (Binary Options, Digital Options, and FX Options): 2,5% of the volume or 50% of the Revenue generated by the Company on option trades executed by Active Traders, whichever is the greatest.
- Forex (the "FX") and Contracts for Difference (the "CFD") Trades: 2,5% of the investment amount or 50% of the Revenue generated by the Company on FX and CFD trades executed by Active Traders, whichever is the greatest.

Notwithstanding the above, it is hereby understood that any such commission shall not exceed 50% of the total amount of net deposits of all of the Affiliate Clients at the relevant time.

#### **2. For Affiliates registered on or following the September 3, 2018:**

The commission shall be calculated on the below basis depending on the period passed since an Active Trader registered an IQOption Account of an Affiliate client so that the total revenue share (as set-out by instrument in the paragraph 'General criterias for the calculation of the Affiliate's payment' and in relation to those products listed in that paragraph) percentage equals to:

- 70% of the Revenue generated by Active Traders – for the first month following the registration of an IQ Option Account of an Affiliate Client;

- 57% of the Revenue generated by Active Traders – for the second month following the registration of an IQ Option Account of an Affiliate Client;
- 50% of the Revenue generated by Active Traders – for the third month following the registration of an IQ Option Account of an Affiliate Client;
- 35% of the Revenue generated by Active Traders – for the fourth month following the registration of an IQ Option Account of an Affiliate Client;
- 20% of the Revenue generated by Active Traders – for the fifth month following the registration of an IQ Option Account of an Affiliate Client;
- 15% of the Revenue generated by Active Traders – for the sixth and all subsequent months following the registration of an IQ Option Account of an Affiliate Client.

**Inactive Affiliates’ (as defined below) remuneration:**

1. An Affiliate shall be deemed as inactive in the event that (i) an Affiliate Account has been registered on or following the September 3, 2018, (ii) for the period of last 90 (ninety) consecutive days from the date of registration of an Affiliate Account, the number of registrations of both Active Traders and Inactive Traders for an IQ Option account of an Affiliate client is equal or less than 6 (six) and (iii) first time deposits (the “FTD”) made by Inactive Clients are equal or less than 3 (three) (the “Inactive Affiliate”); and
2. Upon the date an Affiliate is determined as an Inactive Affiliate by IQOption (the “Conversion”), the commission shall be calculated on the below basis:
  - 70% of the Revenue generated by Active Traders – for the first month following the registration of an IQ Option Account of an Affiliate client;
  - 57% of the Revenue generated by Active Traders – for the second month following the registration of an IQ Option Account of an Affiliate client;
  - 45% of the Revenue generated by Active Traders – for the third month following the registration of an IQ Option Account of an Affiliate client;
  - 30% of the Revenue generated by Active Traders – for the fourth month following the registration of an IQ Option Account of an Affiliate client;
  - 15% of the Revenue generated by Active Traders – for the fifth month following the registration of an IQ Option Account of an Affiliate client;
  - 10% of the Revenue generated by Active Traders – for the sixth to twelfth month following the registration of an IQ Option Account of an Affiliate client;

- 5% of the Revenue generated by Active Traders – for all subsequent months following the registration of an IQ Option Account of an Affiliate client;

### **Standard and Advanced Rate Remuneration**

As it was stated above the Affiliates' commission by default shall not exceed affiliate cap of 50% of net deposits (as defined in paragraph "General criterias for the calculation of the Affiliate's payment" point 3). However, Affiliates who bring more than thirty (30) FTDs (i.e. 31 or more) over the past thirty (30) days get switched to advanced rate, which waives this limitation, meaning only Company's revenues from an individual Affiliate Client's activity is taken into consideration.

1. In order to mitigate this risk, the Company ensures the following:
  - Affiliates are not given access to Clients personal information and are prohibited from contacting Clients of the Company upon the opening of trading account.
  - Further to this the Company prohibits affiliates from encouraging the prospective client to place a deposit or trade more than planned.
  - The Company monitors on an ongoing basis all affiliate sources of communication to ensure that the affiliate is complying with the terms of their agreement.
  - In case of identification of an aggressive marketing, the Affiliates account is closed.
  - The Company publishes a list of banned affiliates on its website.
2. The Company does not offer, solicit or accept any inducements other than those outlined as fees or commissions;
3. The Company does not allow its employees to accept any gifts or monetary benefits of any kind which may cause Conflict of Interest. Gifts of low value may be accepted, as long as the Company is informed and approves such gifts (this does not apply to monetary gifts like cash).

**Measures in relation to the Company's Group Structure/Outsourced Service Providers/Related parties:**

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- The Company has in place non-disclosure and confidentiality agreements with all related parties, outsourced service providers or members of the group in relation to Client's personal information;
  - The Company controls the information communicated between the group entities, related parties and outsourced service providers to ensure no harm to the Client's interests;
  - The Company has a legal consultant who maintains a register of all the related party/outsourced provider payments made and assesses them in terms of Conflicts that may negatively affect Client's interests. Where relevant these conflicts are disclosed in this Policy along with the mitigating factors applied to ensure the removal of any incentives for malpractice;
  - The Compliance Function has in place monitoring procedures for the services provided by related parties and outsourced service providers;

#### **5. Disclosure & Client Acceptance**

Where the Company is aware of a conflict that may arise, and where the organisational and administrative arrangements established by the Company to prevent or manage this conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented, then the Company will disclose such risk to its clients.

Where disclosure of such conflict is not sufficient to manage the conflict, the Company may choose in its absolute discretion not to proceed with the transaction or matter giving rise to the conflict.

The Company reserves the rights to review this Policy whenever it deems appropriate. More information regarding this Policy can be provided upon request to [compliance@iqoption.com](mailto:compliance@iqoption.com)

By accepting the Company's Terms & Conditions, the Client accepts this Policy and the information contained within.