

Conflicts of Interest

Policy Summary

Introduction

A Conflict of Interest ("conflict") is a situation or arrangement where HSBC — or someone who works for HSBC — come under multiple influences in the course of conducting business. Competition between these influences might adversely affect decision-making or outcomes.

A conflict can be due to:

- ◆ The competition of legitimate influences, such as acting for multiple clients; or
- ◆ The presence of harmful influences, such as personal gain

Because HSBC provides a wide range of services across its global network, HSBC's interests could conflict with interests of clients from time to time.

HSBC has established policies and procedures designed to identify, and prevent or manage conflicts. The aim is to safeguard the interests of clients. Conflict policies are reviewed at least annually.

How HSBC deals with conflicts

HSBC designs its organizational structures so that it does not incentivize or reward behavior that could lead to conflicts.

Where necessary, restricting the flow of information to certain employees in order to protect the interests of clients.

HSBC has procedures in place to:

- ◆ Identify all types of potential conflicts that could reasonably arise in the context of its activities
- ◆ Maintain registers of all potential conflicts identified
- ◆ Prevent or manage conflicts on an ongoing basis
- ◆ Disclose conflicts where appropriate
- ◆ Maintain evidence of all occurrences of conflicts that cannot be managed

Identifying conflicts

Each of HSBC's Global Businesses is required to consider the types of potential conflict relevant to the specific services and activities they carry out.

For example, potential conflicts are considered when:

1. Developing a new product
2. Establishing or amending any cross-referral, revenue sharing or joint venture arrangements
3. Transferring businesses, activities or operations (or parts thereof) to another part of HSBC

When potential conflicts involve clients, it is also taken into account whether HSBC or its employees:

- ◆ Are likely to make a financial gain or avoid a financial loss at the expense of a client
- ◆ Have an interest in the outcome of a service or transaction that differs from the interests of client
- ◆ Have a financial or other incentive to favor the interest of one client (or group of clients) over another
- ◆ Carry on the same business as the client
- ◆ Will receive an inducement from anyone other than its client in relation to a service provided

HSBC maintains internal registers, documenting and evaluating all identified potential conflicts. These registers also record the controls in place to prevent or manage each type of conflict, and HSBC's senior managers regularly review them.

Preventing or managing conflicts

HSBC pays, deploys and manages employees in a way that minimizes conflicts.

Conflicts clearing procedures ensure that, where necessary, potential conflicts are escalated and managed before HSBC commits to a transaction.

In some cases, HSBC will consider declining to act for a client. For example, if:

- ◆ A conflict is too great
- ◆ Confidentiality obligations prevent adequate disclosure — see below
- ◆ It cannot obtain informed consent, or this is an insufficient control to manage a conflict

A dedicated Conflicts Management Office, reporting to the Compliance department, is the point of escalation for significant conflicts, and resolves cross-business conflicts brought to its attention. Written reports on the services and activities reflected in the registers of conflicts are presented to the senior management at least annually.

Disclosure

HSBC may make general disclosures to the client about certain types of potential conflicts, explaining how it manages such conflicts to mitigate the risk of damage to the interests of a client. For example, through separation of businesses or measures to prevent unauthorized sharing of confidential information.

However, where HSBC has made all reasonable efforts to prevent or manage a conflict, but the risk of damage to the interests of clients remains, it will make a specific disclosure to the client in writing before concluding a contract. It will include sufficient detail to enable the client to take an informed decision

At times, a duty of confidentiality to one client might limit the disclosures that HSBC can make to another.

Employees

HSBC requires employees to apply good judgement and act with integrity, objectivity and independence of mind. They are asked to take all appropriate steps to:

1. Avoid personal conflicts, for example, in their personal account dealings
2. Proactively escalate personal conflicts that do arise

No employee is permitted to advise a client on any matter in which they have a personal interest, nor take commercial decisions on behalf of HSBC if those decisions are connected to their personal or external business affairs until steps have been taken to satisfactorily manage the conflict.

You may have further questions which relate to the underlying procedures within the Bank. In such cases please visit any of our branches or call **+374 60 655000**.