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| <b>Document Title:</b> | Conflict of Interest Management Framework | <b>Reference no:</b> | MX/COMP/P/19/1.0 | <b>Classification:</b> | External         |
| <b>Recommended by:</b> | Head of Compliance                        | <b>Approved by:</b>  | Director         | <b>Valid from:</b>     | 25 February 2019 |

# **MX GLOBAL SDN BHD CONFLICT OF INTEREST MANAGEMENT FRAMEWORK**

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### Director's Sign-off

| Approved by          | Signatory  | Date             |
|----------------------|------------|------------------|
| Jason Chan Ling Khee | -Approved- | 25 February 2019 |

### Head of Compliance's Sign-off

| Recommended by   | Signatory  | Date             |
|------------------|------------|------------------|
| Ahmad Faiz Yusof | -Approved- | 25 February 2019 |

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## 1. INTRODUCTION

- 1.1 MX Global Sdn Bhd strives to maintain the highest ethical standards in carrying out our business activities. Our reputation is one of our most important assets, so all of our operations and the way we do business are guided by our set of core values. We recognize our obligations to our stakeholders – intermediaries, shareholders, employees, clients, suppliers, competitors and the wider community.
- 1.2 This framework sets appropriate principles and processes to deal with specific ethical issues that arise in certain circumstances. We monitor ethical performance regularly to eliminate corrupt or unethical business practices. The cornerstone of ethical conduct is to avoid actual or potential conflicts of interest. In circumstances where we cannot avoid these conflicts, we need to follow these guidelines for proper disclosure to mitigate these actual or potential conflicts.
- 1.3 We also have to make sure that employees on performance-based salaries are closely monitored so that they do not compromise quality to focus on quantity performance measurements. The purpose of this framework is to give measures to identify, manage and avoid existing and potential conflicts of interests within our environment and set out the roles and responsibilities of the relevant parties.
- 1.4 We will publish the framework on an internet website where clients can easily access it.

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## 2. DEFINITION

2.1

| Term                 | Description   |
|----------------------|---|
| Clients              | A specific person or group of persons, excluding the general public, who is or may become the subject to whom a digital asset exchange service is rendered intentionally, or is the successor in title of such person or the beneficiary of such service.   |
| Compliance officer   | The designated compliance officer within MX Global Sdn Bhd.   |
| Conflict of interest | <p>Any situation in which a digital asset exchange service provider has an actual or potential interest that may, in giving a digital asset exchange service to a client:</p> <ul style="list-style-type: none"> <li>• Influence the objective performance of their obligations to that client</li> <li>• Prevent that digital asset exchange service provider from giving unbiased and fair digital asset exchange service to that client, or from acting in the interests of that client.</li> </ul> <p>This includes but is not limited to:</p> <ul style="list-style-type: none"> <li>• a financial interest</li> <li>• an ownership interests</li> <li>• any relationship with a third party.</li> </ul> |
| Employee             | Includes permanent employees, temporary employees, independent contractors and employees or contractors of contracted service providers, within MX Global Sdn Bhd.  |
| Financial interest   | <p>A financial interest includes cash, cash equivalent, voucher, gift, services, advantage, benefit, discount, domestic or foreign travel, hospitality, accommodation, sponsorship, or other incentive, or valuable consideration other than:</p> <ul style="list-style-type: none"> <li>• an ownership interests</li> <li>• training by a product supplier on products or service provider on services, general industry information and</li> </ul>  |

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|                               |  |
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|                               | technical systems that is not exclusively available to a selected group of digital asset exchange service providers except for travel and accommodation associated with that training.   |
| Immaterial financial interest | Any financial interest with a determinable monetary value, the average of which is not more than RM250.00 in any calendar year from the same third party in that calendar year.  |
| Third party                   | <p>This is:</p> <ul style="list-style-type: none"> <li>• a product supplier or service provider</li> <li>• another digital asset exchange service provider</li> <li>• an associate of a product supplier or a service provider or a digital asset exchange service provider</li> <li>• any person who, in terms of an agreement or arrangement with a person referred to above, provides a financial interest to MX Global Sdn Bhd.</li> </ul> |

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### 3. OBJECTIVES

3.1 MX Global Sdn Bhd and all its employees have a duty to act in the best interests of the clients.

The primary objectives of this framework are to:

- Serves as a guidance for employees on how to behave according to values, in the best interest of all clients;
- Promote transparency and avoid – or where avoidance is impossible, mitigate – business-related conflicts of interest;
- Ensure fairness in the interests of clients, employees and MX Global Sdn Bhd;
- Document the process for disclosing, approving and reviewing activities which may amount to actual, potential or perceived conflicts of interest; and
- Provide a mechanism for the objective review of personal outside interests.

### 4. SCOPE

4.1 The requirements outlined in this framework apply to all employees of MX Global Sdn Bhd when offering its services to clients.

This framework documents the processes and procedures when conflict of interest may arise and the management of such conflict of interest, when it arises.

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## 5. ROLES AND RESPONSIBILITIES

### 5.1 Board of directors

The board of directors is ultimately responsible for the Conflict of Interest Management Framework.

### 5.2 Chief Executive Officer

The Chief Executive Officer is the most senior decision-making forum under the board of directors. It is responsible for:

- Ensure effectiveness of this framework;
- Ensure that all employees, representatives and, where appropriate, associates are made aware of the contents of this framework, including training or education; and

### 5.3 Head of Operations

In terms of this framework, the Head of Operations is responsible for implementing it and training employees.

### 5.4 Compliance officers

Compliance officers are responsible for:

- Providing relevant input and guidance to the operational areas or support functions; and
- Monitoring and maintaining a register of conflicts of interest management (all declaration forms completed by employees and representatives are kept in this register).
- Ensure that all related parties (including employees, clients, etc.) abide to the framework.

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## 6. MECHANISMS FOR IDENTIFYING CONFLICTS OF INTEREST

6.1 We have identified a number of mechanisms to identify potential conflicts of interest:

- Head of Operations will conduct checks from time to time on business transactions to ensure that the MX Global Sdn Bhd's Conflict of Interest Management Framework is being complied with;
- Compliance officer will maintain a conflict of interest register and update it regularly with all new conflicts of interest identified within MX Global Sdn Bhd;
- All new employees must receive a copy of the Conflict of Interest Management Framework;
- The register (Appendix) must be completed to record the conflicts of interest, the severity and the mechanisms used to avoid or mitigate conflicts of interest going forward;
- All employees, representatives, Head of Operations and compliance officers within the Company will be trained on the Conflict of Interest Management Framework and will be responsible for identifying specific instances thereof;
- Feedback and complaints from clients or other stakeholders will be analyzed;
- All employees, representatives and Head of Operations must notify the compliance officer of any instances they become aware of;
- The compliance officer will record the conflict of interest in the register and assist the reporting manager ie Chief Executive Officer to decide how the conflict should be managed within the guidelines of the Conflict of Interest Management Framework; and
- The compliance officer will also provide internal guidelines (if any) to all employees of MX Global Sdn Bhd from time to time.

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## 7. CONFLICT OF INTEREST MANAGEMENT

### 7.1 Proprietary Trading by MX Global Sdn Bhd

MX Global Sdn Bhd maintains procedures for avoiding and managing conflicts of interest when undertaking proprietary trading activities on its platform as follows:

- Any orders placed by MX Global Sdn Bhd is independent of its clients' orders and is generated based on established internal mechanism, for providing liquidity purpose;
- MX Global Sdn Bhd does not trade on-behalf of any of its clients;
- MX Global does not provide any investment advice to any of its clients; and
- Approval from the Securities Commission Malaysia shall be obtained prior to undertaking any proprietary trading activities.

### 7.2 Personal Account Dealing Within MX Global Sdn Bhd

- MX Global Sdn Bhd maintains a personal dealing framework which all employees at MX Global Sdn Bhd are required to comply with.
- This framework requires such employees to ensure that all personal dealing activity is appropriate and does not create an actual or potential disadvantage or loss to a client.
- All account opening by employees of MX Global Sdn Bhd require pre-approval from the Chief Executive Officer. The pre-approval process requires MX Global Sdn Bhd to make an assessment as to whether such permission may cause the following:
  - Put the clients' position at disadvantage;
  - Misuse or cause improper disclosure of confidential information; or
  - Enter in a transaction that is likely to conflict with any obligations of the Company, or the employee, that are stated under the law.
- No such permission should be granted if the assessment has found any elements of the above.
- Trades performed by its officer and employees will be analysed on an on-going basis to ensure that no elements of conflict of interest is present by the Compliance Department. Any such incidents which reveal the possibility of such elements will be investigated and reported to the Senior Management for further action on a case by case basis.

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### 7.3 Management of Non-Public Material Information

- MX Global Sdn Bhd prohibits all its employees from acting on any non-public material information to trade any digital assets on its platform or other digital asset exchanges.
- MX Global Sdn Bhd shall maintain confidential information and ensure equal disclosure of information to all its clients.
- All employees are required to desist from any activities whereby the knowledge of the inside information will or might create a conflict of interest.

### 7.4 Prohibition on Financial Assistance

MX Global Sdn Bhd shall not provide direct or indirect financial assistance to any of its clients, including its officers and employees, to invest or trade in digital assets on its platform.

### 7.5 Financial interest to and from third parties

MX Global Sdn Bhd and its employees may only offer or receive a permitted financial interest from a third party, other than an immaterial financial interest and authentic training and educational sessions as set out here.

### 7.6 Training and education sessions

MX Global Sdn Bhd will provide training, education and awareness sessions to its employees and clients on various forms including via social media posts, internal classroom trainings, etc.

### 7.7 Financial interests to own employees

MX Global Sdn Bhd employees are remunerated in the form of salaries. Some of them may be eligible for the annual performance-based bonuses that recognize their overall contribution to the performance of MX Global Sdn Bhd.

Salaries are paid according to their employment contract and in instances where an employee is paid a performance bonus, it is calculated on a formula which includes the net profit performance of the MX Global Sdn Bhd and the overall performance appraisal of the individual concerned.

### 7.8 Immaterial financial interest

MX Global Sdn Bhd may only accept or offer an immaterial financial interest if it is not more than RM250.00 per natural person per year from or to the same third party.

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## 8. THE OBLIGATION TO DISCLOSE

8.1 The disclosure of conflict of interest is as follows:

- Every employee must fully communicate and disclose any conflict of interest that could impair or be perceived to impair their ability to act with integrity or objectivity in their role at MX Global Sdn Bhd immediately once identified. They must disclose conflicts of interest and update the Master Conflicts of Interest Register (Appendix) accordingly.
- All employees must forward their disclosures to the compliance officer including any potential conflict of interest with any Digital Asset to be traded on the exchange.
- The compliance officer and Chief Executive Officer shall consider the disclosures and decide on their permissibility.
- Where applicable, the employees should inform clients of the conflict of interest disclosures as required.
- In addition, if a conflict of interest arises or may arise, employees must disclose it before undertaking any activity, at the beginning of any negotiations or at the beginning of any decision-making process. In exceptional circumstances, the formalities of disclosure may be finalized after the event in instances where time is of the essence and the substance of this framework has been complied with, provided that the formalities are completed afterwards. A new disclosure must be made if the facts and circumstances relating to a previously disclosed interest or activity changes materially, thereby introducing a new undisclosed interest.

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## 9. APPROVAL

- 9.1 Where management considers the conflict potential of an activity or interest to be immaterial and there is no risk of reputational damage to MX Global Sdn Bhd, employees must record approval of this activity on Appendix. They must also note any conditions attached to the approval on the form. This must be reviewed yearly to make sure that the basis on which approval was granted remains sound. The employee applying for approval may not undertake the activity or make any decisions on behalf of MX Global Sdn Bhd without the required written approval.

Where the activity or interest that gives rise to the potential conflict of interest is judged to be inappropriate, it should be declined. This decision must be recorded on Appendix and communicated in writing to the relevant employee. Employees have the right to request a review of the decision where the activity or interest is declined or where conditional approvals are granted. Such a request must be in writing, set out the reasons for the request and include copies of all relevant documents relating to the original disclosure of the activity or interest and the decisions relating thereto. The right of review is to the Board of Directors.

### 9.2 **Maintaining Independence**

In all situations in which disclosure is required, the relevant employee making the disclosure must abstain from any decision making relating to the conflicted activity or interest as well as from the process relating to the consideration of that disclosure. Where appropriate, that abstention must be formally noted.

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## 10. RECORD KEEPING

10.1 All disclosure forms shall be kept by compliance officer. If compliance officers are unsure about a potential conflict of interest, they must get clarity from the Chief Executive Officer and record it accordingly. Compliance officer will keep a conflict of interest and gifts register.

MX Global shall keep and regularly update a record of the kinds of business activities carried out by or on behalf of MX Global Sdn Bhd in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise.

The following documentation shall be maintained for seven (7) years:

- This framework, any functional variations if applicable;
- The conflicts log and the conflicts identification and management;
- Rules, procedures and processes;
- Training material and training records;
- Conflict of interest notification;
- Details of any review work carried out (including any decisions made on conflicts management); and
- Any other documentation used to demonstrate the management of conflicts of interest.

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## 11. COMPLIANCE TO THIS FRAMEWORK

11.1 MX Global Sdn Bhd shall ensure strict compliance to this framework as follows:

- Strict adherence to the provisions of this framework is a condition of employment with MX Global Sdn Bhd. Non-compliance with this framework and the procedures described in it may be considered to be misconduct, and employees may be subject to disciplinary action that may lead to dismissal. We aim to create the climate and opportunity for our employees to voice genuine concerns about behaviors or decisions that they perceive to be unethical.
- The compliance officer is responsible for initiating and supervising the investigation of all reports of breaches of this framework and assisting MX Global Sdn Bhd to make sure the appropriate disciplinary action is taken when required.
- The internal auditors may be asked to report on any practice uncovered in their work that appears to breach this code of business conduct.

## 12. AMENDMENT OF THE FRAMEWORK AND ADDITIONAL INFORMATION

12.1 MX Global Sdn Bhd reserves the right to review and/or amend this framework and arrangements whenever it deems this appropriate according to the terms of the Terms and Conditions agreement between MX Global Sdn Bhd and its clients.

Should you require any further information and/or have any questions about conflicts of interest please direct your request and/or questions to [support@mx.exchange](mailto:support@mx.exchange).

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### 13. CLIENT'S CONSENT

13.1 By entering into a Terms & Conditions Agreement with MX Global Sdn Bhd, you are consenting to an application of this framework. Further, you consent to and authorize MX Global Sdn Bhd to deal with you in any manner which MX Global Sdn Bhd considers appropriate.

In the event that MX Global Sdn Bhd is unable to deal with a conflict of interest situation, MX Global Sdn Bhd shall revert to its clients.

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**APPENDIX**

**MASTER OF CONFLICTS REGISTER**

**Purpose:**

To record the conflicts of interest by the digital asset exchange service provider. This register is intended as a summary document only.

| No. | Description of Conflict<br>(nature of conflict, amount involved, etc) | Date Reported | Date the Conflict Happened<br>(if past) | Received by | Outcome |
|-----|---|---------------|---|-------------|---------|
|     |   |               |   |             |         |
|     |   |               |   |             |         |
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