



# CONFLICT OF INTEREST POLICY

**June 2017**

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Institute of Certified Public Accountants of Cyprus*

A graphic at the bottom of the page features two large, overlapping arrows. The top arrow is teal and points to the right, with the word "CONFLICT" written in white, bold, sans-serif capital letters across its center. The bottom arrow is red and points to the left, with the word "INTEREST" written in white, bold, sans-serif capital letters across its center. The word "OF" is positioned between the two arrows, centered horizontally. The background behind the arrows is a dark red color.

**CONFLICT  
OF  
INTEREST**

## INDEX

1. Purpose.....	3
2. Policy .....	3
3. Roles & Responsibilities.....	7
4. Legal Framework.....	7

## LIST OF APPENDICES

Appendix No.	Name

## DEFINITIONS

Definition	Explanation
<b>Conflicts of Interest</b>	Is the conflict that arises in any area of the Institute’s operations during the provision of services to a member / associate and which could be in favor of the interests of the Institute or of the interests of any relevant person or of the interests of any other member / associate and may be against the interests of the first member / associate. We define COI broadly: (a) actual conflict- there is a real, existing conflict (b) potential conflict- there is or could be a situation that may result in a conflict and (c) perceived conflict – there is or could be a situation that may appear to be a conflict even if this is not the case
<b>Members / Associates</b>	The definition includes (a) existing members / associates of ICPAC (b) potential members / associates (c) past members / associates clients where other duties remain in place
<b>Inside/ Confidential Information</b>	Information which has not been made public
<b>Relevant persons</b>	A director, manager, member of staff, member or associate. which due to his/her position or due to his /her participation to certain Institute’s Services or due to his /her relationship with the Institute has access to specific information that is not widely known or is able to influence institutes decision.

## LIST OF ABBREVIATIONS

Abbreviation	Explanation
COI	Conflicts of interest

## **1. Purpose**

The Institute of Certified Public Accountants of Cyprus – ICPAC – (“Institute”) Policy’s main objective is to set out general principles in order to ensure that the Institute establishes implements and maintains effective conflicts of interest procedures and measures for the identification, prevention and management of Conflicts of Interest (COI) and to comply with legal and regulatory framework.

## **2. Policy**

### **General Principles**

ICPAC conducts its business according to the principle that it must manage COI fairly, both between itself and its members and associates.

#### **A. Identification of COI**

The Institute sets procedures in order to identify the relationships, services, activities or transactions in which COI may arise. These procedures cover relationships:

Between the Institute and its stakeholders, including:

- (i) Directors
- (ii) Management
- (iii) Members of staff
- (iv) Members
- (v) Significant business partners and other associates

All Institute stakeholders and especially Directors, Management and all members of staff have a personal responsibility to disclose any COI and abstain (or obtain relevant measures) from a transaction that may involve a COI. This responsibility is explicitly stated in the employment contracts (usually as part of the Code of Conduct) and other agreements with various stakeholders, service providers, suppliers etc.

#### **B. Examples of Conflicts of Interest**

Although COI within ICPAC may arise in limited situations, All COI should be managed pro-actively, promptly and fairly.

Possible areas include:

- Portfolio management
- Investment services
- Sub-contracting
- Relationships / associates

As a minimum, the following measures should be adopted to prevent or manage COI:

- i. There is effective segregation of duties so that COI amongst members of staff is prevented.
- ii. There are effective procedures in place to control the flow of information, where otherwise, the risk of a COI may harm the interest of a member or associate.
- iii. Arrangements for separate supervision of staff where necessary.
- iv. Adequate records are maintained of the services and activities of the Institute where a Conflict of Interest has been identified.
- v. Appropriate controls are in place to identify and manage COI among Institute. Additionally periodic reviews are performed on the adequacy of the system of internal controls.
- vi. Preventing persons who are active outside the Institute from having inappropriate influence within the Institute regarding conflicting activities.
- vii. Research publications /recommendations are internally distributed exclusively at the same time as they are distributed to the stakeholders.
- viii. All Directors and management are required to disclose any COI and abstain from participating in the decision –making or voting on any matter where they may have a conflict of interest.
- ix. An approval process is in place to identify and manage cross-board memberships and outside business interests of Relevant Persons
- x. Where necessary, Relevant Persons may be asked to step aside from working on a specific transaction or participating in the management of a COI.
- xi. Relevant Persons are subject to personal account transaction rules. The following rules apply with regard to the personal transactions of the Relevant Persons:
  - Every Relevant Person is aware of the restrictions on personal transactions, and of the measures established
  - The Institute is informed promptly of any personal transaction entered into by a Relevant Person
  - A record is kept of the personal transaction notified to the Institute or identified by it, including any authorization or prohibition in connection with such a transaction.

A Relevant Person cannot:

- Enter into a Personal Transaction which meets at least one of the following criteria:
  - (i) that person is prohibited from entering into it under the Market Abuse Law
  - (ii) it involves the misuse or improper disclosure of confidential information
- Advise or procure any other person to enter into a transaction in financial instruments which, if a personal transaction of the relevant person, it would be forbidden
- Disclose any information or opinion to any other person if the Relevant Person knows, that other person will or would be likely to take either of the following steps:
  - (i) Enter into a transaction in financial instruments which if a personal transaction of the relevant person would be forbidden under Law
  - (ii) Advise or procure another person to enter into such a transaction

xii. Conflict of Interest and Outsourcing

ICPAC exercises appropriate due diligence when selecting outsourcing service providers which includes:

- The identification of any conflicts of interest or potential conflicts of interest due to the fact that the outsourcing service provider constitutes a group of connected persons with:
  - Any member of the institution's or the Directors or management
  - The institute's external auditors or
  - The institute's external legal advisors

xiii. Conflicts of Interest at the Management

- Procedures should be in place to ensure that the Council and all members of the management team follow the relevant guidelines/compliance requirements of the regulatory framework.
- A review process is in place which the Council and management team must follow before they engage in certain activities such as serving on another entity's management to ensure such new engagement would not create a conflict of interest
- A requirement that the Council and management team must disclose any COI and abstain from participating in the decision-making or voting on any matter where they may have a conflict of interest (a) prior to the commencement of any meeting the acting chairperson of the meeting is required to read all items on the agenda, and request that each participant, including himself and the members, for each item states clearly whether there is an interest or a conflict of interest or a potential interest or conflict of interest or not (b) if a conflict of interest is identified for an item of the agenda then the member involved must leave the room without participating in the discussion and the voting for that particular item.(this should be stated in the institute's policies and procedures) (c) the same procedure applies for other /ad hoc issues.

xiv. Council and its Committees

All members must disclose any COI and abstain from participating in the decision-making or voting on any matter where they may have a conflict of interest (a) prior to the commencement of any meeting the acting chairperson of the meeting is required to read all items on the agenda, and request that each participant, including himself and the members, for each item states clearly whether there is an interest or a conflict of interest or a potential interest or conflict of interest or not (b) if a conflict of interest is identified for an item of the agenda then the member involved must leave the room without participating in the discussion and the voting for that particular item.(this should be stated in the institution's policies and procedures) (c) the same procedure applies for other /ad hoc issues.

xv. Information Barriers and Chinese Walls

ICPAC respects the confidentiality of information about its members and associates, operates a "need to know" approach and complies with all applicable laws with respect to the handling of the information. Access to confidential information is restricted to

those who have a proper requirement for the information consistent with the legitimate interest of a client or the bank.

xvi. Independence, separate supervision and distinction / segregation of operations

The Institute takes organizational measures to ensure separate supervision and distinction / segregation of its employee's operations in order to avoid possible conflicts of interests.

xvii. Refusal to provide a service/disclosure to Clients

Where the Institute cannot prevent or successfully manage a conflict of interest situation, it is possible that the Institute will refuse to provide the requested service

xviii. Gifts and personal benefits

The accepting and offering of gifts and other personal benefits is regulated by the relevant policies and procedures of the Institute (Code of Conduct & Anti-Bribery Policy). Members of staff are allowed to accept gifts of small value as this will be identified in the various internal policies and procedures. A gift registry should be maintained at local level and all gifts received and offered irrespective of amount should be registered.

xix. Training and Communication

The Group provides constant training and information in relation to matters of COI.

xx. Remuneration Policies

Remuneration policies for ICPAC's employees should prohibit situations that will give or potentially could give rise to COI.

**C. Conflict of Interest Registry**

ICPAC maintains a register of the activities carried out by the group which have given or could give rise to a COI. The information in the register facilitates the management of conflicts of interests and potential conflicts of interest.

**D. Reviews**

There is a periodic review of the adequacy of the ICPAC's system and controls in relation to COI.

**E. Reporting**

Conflicts of interest arise all the time, and there are many "grey areas" where it is often hard to discern whether there is a real or potential conflict of interest. The appearance or perception by others of a conflict of interest can often be as detrimental as a conflict of itself. It is therefore important that ICPAC staff members and associates be alert to situations that could lead to real, potential, or perceived conflicts of interest. Promptly disclosing and dealing with any conflict is critical to avoiding potentially serious consequences for the effectiveness and integrity of group. It should be emphasised that even if in doubt the possibility of a Conflict of Interest should be reported.

The Institute encourages its employees to report any activity that may violate this policy. If any member of staff becomes aware that a conduct which has taken place is in breach of the provisions of this policy, they have a duty to report it. Any such incidents should be reported to General Manager or to escalated to Risk Committee if it refers to General Manager. Omitting to report violations of this policy can be considered as a disciplinary offence.

### **3. Roles & Responsibilities**

The Council is responsible for approving the policy on conflicts of interests.

Management has the ultimate responsibility for the implementation of this policy and needs to enforce with the support of members of staff. They should maintain a register of any cases of COI arising from the activities of their departments (at a local level).

Risk Committee in accordance with its risk based procedures carries out periodic reviews of relevant controls & procedures in relation to the Management of COI, in order to provide assurance as to the effective implementation of the provisions of this policy.

### **4. Legal & Other Framework**

- Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2017
- IESBA - Code of Ethics for Professional Accountants.
- Insolvency Act of 2015
- Regulation of Undertakings Providing Administrative Services and Related Issues Law of 2012
- The Law on Insider Dealing and Market Manipulation (Market Abuse Law) N116 (I)/2005.
- Any laws that relate to the management of COI.
- ICPAC Policies: Anti- Bribery, Risk Policy, AML Manual