

Policy for Prevention of Conflicts of Interest in Provision of Investment Services and Ancillary Investment Services



Approved

Signet Bank AS

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I Terms Used

1. **Associated Person:**

- 1.1. the Chairperson of the Board or Council, member of the Board or Council of the Bank, a tied agent or another person that incurs civil liability on the Bank by taking important decisions on its behalf;
- 1.2. chairperson or member of the board or council of the tied agent's undertaking or another person that incurs civil liability on the tied agent by taking important decisions on its behalf;
- 1.3. employee of the Bank or of its tied agent as well as any other natural person who is engaged in the provision of Investment Services and whose activity is controlled by the Bank;
- 1.4. natural person who is directly engaged in the provision of an outsourced service to the Bank or its tied agent by providing Investment Services;
- 1.5. other persons who directly or indirectly exercise control over the Bank.

2. **Bank** – Signet Bank AS.

3. **Financial Analyst** – an employee of the Bank who develops the content of the Investment Research.

4. **Ancillary Investment Services** – for the purposes of the Policy:

- 4.1. holding of financial instruments;
- 4.2. granting of credits or loans to the Clients for execution of transactions with financial instruments when the Bank is the second party of a transaction;
- 4.3. giving recommendations related to the structure of capital, strategy of activities and the related issues, as well as giving recommendations and rendering services related to a merger of commercial companies and purchase of undertakings;
- 4.4. currency exchange services if they are related to rendering of the Investment Services;
- 4.5. provision of the Investment Research, financial analysis or other general recommendations concerning transactions with financial instruments.

5. **Investment Services** – for the purposes of the Policy:

- 5.1. acceptance and routing the Client's orders related to transactions with financial instruments for execution;
- 5.2. execution of the Client's orders related to transactions with financial instruments for the Client's or third party's account;
- 5.3. portfolio management services;



- 5.4. initial offering of financial instruments if the Bank does not repurchase financial instruments or does not guarantee their repayment;
 - 5.5. repurchase of financial instruments for the initial offering or warranting the repurchase of the financial instruments, which have been not placed during the initial offering;
 - 5.6. execution of transactions with financial instruments for account of the Bank;
 - 5.7. advising on investments into financial instruments.
6. **Investment Research** – for the purposes of the Policy, investment research shall mean research or other information which recommends or suggests, directly or indirectly, an investment strategy concerning one or several financial instruments or issuers of financial instruments, including an opinion as to the present or future value or future price of such instruments, and which is intended for distribution channels or the public and in relation to which the following conditions are met:
- 6.1. it is labelled as the Investment Research or is otherwise presented as an objective or independent explanation of the matters contained in the research;
 - 6.2. it is not a recommendation to the Client provided during a consultation on investments in financial instruments.
7. **Client** – the person who has concluded an agreement for receipt of the Investment Services or Ancillary Investment Services with the Bank and accepted the regulatory document of the Bank 'Order Execution Policy in the Field of Rendering Investment Services'.
8. **Personal Transaction** – a trade transaction in financial instruments that is made by the Associated Person or that is made for the benefit of such person, where at least one of the following criteria is met:
- 8.1. the transaction has been made outside the scope of the job or of the professional duties of that person;
 - 8.2. the transaction has been made for the account of that person;
 - 8.3. the transaction has been made for the account of the spouse, a child, a step-child (a child of the spouse that is not the child of that person) or for the account of another relative who has shared the household with the Associated Person for at least one year before making the transaction;
 - 8.4. the transaction has been made for the account of another person whose relationship with the Associated Person is such that the relevant person has a direct or indirect material interest in the outcome of the transaction other than the fee for the execution of the transaction.
9. **Policy** – the regulatory document of the Bank 'Policy for Prevention of Conflicts of Interest in Provision of Investment Services and Ancillary Investment Services'.

II Purpose of the Document and Summary of the Policy

10. The purpose of the Policy is to determine the key principles and elements to ensure taking the necessary measures for identification of the circumstances, which give or may give rise to a conflict of interest entailing a material damage to the interests of one or more Clients, and for prevention or mitigation of conflicts of interest and their negative



consequences when providing the Investment Services and Ancillary Investment Services.

11. The Policy is developed observing requirements of the Financial Instrument Market Law, European Parliament and Council Directive 2004/39/EC as well as European Commission Regulation No 1287/2006.
12. Not less than once a year, the Board of the Bank reports to the Council of the Bank on compliance of the measures for prevention of a conflict of interest stipulated in the Policy, compliance of the Policy with the actual situation, preparing the necessary amendments to the Policy.
13. The Council of the Bank revises the Policy at least once a year, evaluating its actuality, and approves it.
14. The Policy takes effect from the moment of approval and the internal regulatory document of the Bank 'Policy for Prevention of Conflicts of Interest in Provision of Investment Services and Ancillary Investment Services' approved on 30.06.2016. loses force upon approval hereof.
15. The Policy's up to date version is available on the website of the Bank.

III Key Principles

16. The prevention of conflicts of interest is ensured by observing the following key principles:
 - 16.1. evaluation of the significance of danger to the Client's interests, i.e. proportion among the risk, benefits and costs within the framework of requirements of law;
 - 16.2. restrictions with regard to performance of the Personal Transactions by employees and officers of the Bank are determined in the Bank;
 - 16.3. the Bank exercises rigorous control with regard to the employees of the Bank whose key duties are performance of actions on behalf of the Client or rendering of services to the Client;
 - 16.4. creation and maintenance of the Personal Transactions Register;
 - 16.5. the Bank relies on correctness of the information provided by the Associated Persons;
 - 16.6. the Policy is regularly updated;
 - 16.7. the structural division, which performs supervision of conflict-of-interest situations, is determined in the Bank.

IV Conflict-of-Interest Situations

17. Identifying conflict-of-interest situations, the Bank is aware that a conflict of interest may arise:
 - 17.1. between an employee of the Bank and the Client;
 - 17.2. between a tied agent of the Bank and the Client;
 - 17.3. between the person who directly or indirectly exercise control over the Bank and the Client;
 - 17.4. between the Clients of the Bank;
 - 17.5. between the Associated Person and the Client.



18. The circumstances that may give rise to a conflict of interest are characterised by the situations:
- 18.1. when providing all kind of Investment Services and Ancillary Investment Services to Clients the Bank or Associated Person:
 - 18.1.1. is likely to make a financial gain or avoid a financial loss at the expense of the Client;
 - 18.1.2. has 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;
 - 18.1.3. has an incentive to favour the interests of another Client or a group of Clients;
 - 18.1.4. carries out the same professional activity as the Client;
 - 18.1.5. receives 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 fee for that service;
 - 18.2. in case of receipt and transmission for execution of investors' orders regarding transactions in financial instruments; execution of investors' orders regarding transactions in financial instruments for the account of investors or third parties, the Bank or Associated Person has an internal information regarding Client's transactions / planned transactions;
 - 18.3. the Bank or Associated Person has an internal information regarding Client's financial situation or other internal information that could have influence on a price of a financial instrument in case of initial placement of financial instruments if a provider of investment services does not underwrite financial instruments or guarantee their underwriting; underwriting financial instruments for their initial placement or guaranteeing underwriting of financial instruments that were not placed during the initial placement;
 - 18.4. in case of management of investors' financial instruments on an individual basis under investors' authorization (a portfolio management service); providing consultations on investments in financial instruments Client is offered or the Client owns:
 - 18.4.1. financial instruments issued by the Bank with regard to which the Bank has provided an investment recommendation or other recommendation or research;
 - 18.4.2. financial instruments with regard to distribution and offering of which the Bank entered into an agreement with third parties, in particular, when the Bank receives a commission fee for it;
 - 18.4.3. financial instruments, the issue or placement of which (also without making such actions public) has been performed by the Bank, of the Bank has organised or assisted a third party in performance of such actions;



- 18.4.4. financial instruments, with regard to which the Bank is a market maker.
19. Where organisational or administrative arrangements maintained and operated by the Bank to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the Clients' interests are prevented, the Bank shall explicitly disclose to the Client the essence or the sources of conflicts of interest.
20. The Bank retains and continuously updates the information related to the types of the Investment Services and Ancillary Investment Services, which have been provided by the Bank or on behalf of the Bank and which have given rise to or can potentially give rise to a conflict of interest that in turn can seriously jeopardise the interests of one or more Clients.

V Measures for Elimination and Management of Conflict-of-Interest Situations

A) General Conditions

21. The Bank creates such internal organisational structure of the Bank that mitigates likelihood of arising of conflict-of-interest situations.
22. The Bank regularly controls and/or eliminates simultaneous or successive involvement of the Associated Persons in rendering of different Investment Services or Ancillary Investment Services, if such involvement may weaken due management of conflicts of interest.
23. The Bank regularly controls and, to the extent it is possible, eliminates information exchange between the Clients and the Associated Persons, the activity of which is subject to the risk of occurrence of conflicts of interest, if such information exchange may entail damage to the interests of one or more Clients.
24. The Bank exercises focused supervision over the Associated Persons whose key work functions include acting on the Clients' behalf or providing services to the Clients, or who represent other interests, including the interests of the Bank, that may be contrary to the Client's interests.
25. The Bank prevents a direct link between remunerations or incomes received by the Associated Persons whose activity is connected with the provision of differing Investment Services, if a conflict of interest is likely to arise in connection with the activities carried out in the course of providing Investment Services.
26. In accordance with its internal regulatory documents, the Bank undertakes the necessary arrangements to prevent or restrict improper influence of third parties on the process of providing the Investment Services or Ancillary Investment Services.
27. It is forbidden to the Associated Persons of the Bank to accept or request any material benefit to violate the regulatory documents stipulating requirements with regard to work duties, to make a prejudicial decision or take other subjective action giving rise to a conflict of interest.
28. The action of the Associated Person in case of acceptance of gifts is regulated by the internal regulatory document of the Bank 'Professional Action and Ethics Standards'. In any case, the accepted gift shall be reasonable and its acceptance should not give rise to a conflict of interest. The mentioned provisions also apply to the situations when the person who received a gift of a spouse or child of the Associated Person.



29. With regard to all situations giving rise or which may give rise to a conflict of interest, all employees of the Bank shall immediately notify Compliance and Risk Management Division of the Bank.
30. Compliance and Risk Management Division of the Bank supervises the transactions with financial instruments that may give rise to a conflict of interest and immediately informs the Board of the Bank on any discovered violations of the stipulated procedure.
31. The Bank develops the internal regulatory documents of the Bank that are necessary for implementation of the Policy that determine duties and responsibility of structural divisions and employees of the Bank as well as regulate performance of some actions.

B) Restrictions with Regard to Performance of the Personal Transactions

32. It is forbidden to the Associated Persons:
 - 32.1. making the Personal Transaction on the basis of inside information of the Bank available to the person as a result of job or professional duties in the Bank;
 - 32.2. making the Personal Transactions by using or inappropriately disclosing information that contains a business secret;
 - 32.3. making the Personal Transactions that contradict the requirements set out in the effective regulatory enactments of the Republic of Latvia and internal regulatory documents of the Bank;
 - 32.4. advising a third party to make a transaction with financial instruments that would be the Personal Transaction of the advising person to which such restrictions apply (except where a transaction has been made by performing job or professional duties):
 - 32.4.1. a transaction is performed on the basis of inside information of the Bank available to the person as a result of job duties in the Bank,
 - 32.4.2. the information available to the person on pending Client's orders is misused;
 - 32.4.3. a transaction is performed with the financial instruments that underlie the Investment Research or in related financial instruments, where the person possesses information about the content of the Investment Research that is not available to the public or the Clients or in respect of which conclusions may not be made from already publicly available information, as long as the recipients of the Investment Research have an opportunity to learn the content of the Investment Research and carry out activities on the basis of research;
 - 32.5. to disclose information to a third party or express an opinion, where the person disclosing information knows or ought to have known that as a result of the disclosed information the third party will make or is likely to make or advise another person to make a transaction in financial instruments that would qualify as the Personal Transaction to the person disclosing information and to which the restrictions set out in Sub-clause 32.4 of the Policy apply, except where information has been disclosed by performing job or professional duties.
33. The Associated Persons shall notify the Bank on the Personal Transactions performed by



them and the determined restrictions with regard to performance of the Personal Transactions.

34. The Bank may establish that the Associated Person shall have permission for making the Personal Transactions with regard to every transaction type. The permission is issued by the Head of Compliance and Risk Management Division.
35. Where the Bank has established that a permission issued by it is necessary for making the Personal Transactions, it shall keep information on the issued permissions or refusals to grant permission.
36. Clause 32 of the Policy is not applied, if:
 - 36.1. the Personal Transaction has been made as part of the management of financial instruments on an individual basis, and there has been no prior communication in connection with the transaction between the portfolio manager and the Associated Person or other person on whose behalf the transaction has been made;
 - 36.2. the Personal Transaction has been made in open-end investment fund units and the Associated Person or other person on whose behalf the transaction has been made is not involved in the management of that fund.
37. The Bank creates and maintains the Personal Transactions Register where it keeps the information provided by the Associated Persons or which was disclosed during supervision.

C) Restrictions of Transactions of the Persons Preparing the Investment Research

38. It is forbidden to the Financial Analyst and the Associated Persons:
 - 38.1. to perform the Personal Transactions or transactions for the account of other person, including for the account of the Bank, with the financial instruments that underlie the Investment Research or in related financial instruments, where the Financial Analyst and the Associated Persons possess information about the content of the Investment Research that is not available to the public or the Clients or in respect of which conclusions may not be made from already publicly available information, as long as the recipients of the Investment Research have an opportunity to learn the content of the Investment Research and carry out activities on the basis of research. This prohibition is not applied where the mentioned persons make transactions as market makers, fulfilling their duties in good faith and in accordance with the established procedure, as well as execute the Client's order submitted on the Client's initiative;
 - 38.2. to make the Personal Transactions with financial instruments that underlie the Investment Research or with related financial instruments, where a transaction is contrary to the investment recommendation suggested by the research, except in cases when such transaction has been approved by Compliance and Risk Management Division of the Bank;
 - 38.3. to accept material or other inducements from the persons that might be interested in the content of the Investment Research;
 - 38.4. to promise an issuer a favourable research coverage;



- 38.5. before the publication, to review a draft Investment Research developed by the Financial Analyst, where the draft includes a recommendation or a projected price, except where compliance with the legal liabilities of the Bank is verified.

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