

Information about Signet Bank AS, Signet Asset Management Latvia IPS and Investment Services



1. Information about Signet Bank AS and Signet Asset Management Latvia IPS

General information

- 1.1. Signet Bank AS, registration number: 40003076407, legal address: Antonijas iela 3, Riga, LV-1010, Latvia, hereinafter is referred to as the Bank.
- 1.2. The Bank has received licence to operate as a credit institution which permits the Bank to provide investment services as well as ancillary investment services.
- 1.3. The Bank provides various investment and ancillary investment services on the market of financial instruments, including: servicing financial instruments account, brokerage services etc.
- 1.4. Daughter company of the Bank Signet Asset Management Latvia IPS, registration number: 40103362872, legal address: Antonijas iela 3-1, Riga, LV-1010, Latvia, hereinafter referred to as the Company, is an investment management company holding the licence for provision of management services.
- 1.5. The Company provides investment fund management services, management of individual financial instruments portfolios and other services in accordance with the Investment Management Companies Law.
- 1.6. Clients hold investment fund certificates belonging to them on accounts of clients with the Bank under agreements between clients and the Bank.
- 1.7. Financial instruments and money in individual financial instruments portfolios of clients are being held on accounts of clients with the Bank or other credit institution under agreements between clients and the Bank or other credit institution.
- 1.8. Regulatory authority of the Bank and the Company is Financial and Capital Market Commission of the Republic of Latvia with its registered office at 1 Kungu street, Riga, LV-1050, Latvia.
- 1.9. Communication between the client and the Bank and the Company, including correspondence and other information is in Latvian, Russian or English language depending on the language in which the client concluded the agreement on provision of investment services with the Bank or the Company, hereinafter referred to as Agreement.
- 1.10. The client may interact with the Bank and the client may submit orders to the Bank in the manner indicated in the Agreement (in person, by the telephone, e-mail or "Internet Bank" as indicated in the Agreement, which is in accordance with the Bank's Terms of Maintenance of the Financial Instruments Account and Entering into Transactions with Financial Instruments).
- 1.11. The client has a right to choose communication type in order to obtain information from the Bank – paper or electronically.

Information about reports provided to client

- 1.12. The Bank will provide the client with the following reports (the listing is not exhaustive and the Bank may also provide other reports to the client in accordance with the terms of the Agreement and applicable regulations):
 - 1.12.1. Confirmations of the Order (term is defined in the Agreement) executed - at the request of the client after the execution of the Order or receipt of confirmation from a third party, if the Bank receives confirmation from a third party;
 - 1.12.2. FI Account and Investment Account (terms defined in the Agreement) - once a year or at the request of the client.
- 1.13. The Company will provide the client with the following reports (the listing is not exhaustive and the Company may also provide other reports to the client in accordance with the terms of the Agreement and applicable regulations):
 - 1.13.1. report on performance of the investment fund in accordance with terms and conditions of the prospectus of the fund;
 - 1.13.2. report on performance of individual financial instruments portfolio in accordance with the terms and conditions of the Agreement;
 - 1.13.3. report on transactions carried out during the year and fees related to such transactions.

Information on client protection against losses

1.14. Financial instruments on the client's accounts will be kept separate from the Bank's own financial instruments, however, in individual cases when financial instruments are held in accordance with the provisions of the Agreement with third parties, it is possible to use these financial instruments at the expense of a third party.

1.15. The Bank is a participant in the investor protection scheme in accordance with the provisions of the Republic of Latvia Investors Protection Law. The client is entitled to receive compensation in the amount of 90 percent from the value of irrevocably disappeared financial instruments or losses caused by incomplete investment service, but no more than 20 000 *euro* in the following cases:

1.15.1. irrevocable disappearance of financial instruments - the fact acknowledged by the Financial and Capital Market Commission that data proving the ownership of a client's financial instruments that are located in the Bank's computer system or other types of accounts are irrevocably destroyed or damaged due to any act, inaction or criminal offense and the Bank refuses update these data according to the documents presented by the investor;

1.15.2. incomplete investment service is an investment service that the Bank has accepted for execution but has not fully or partially executed and as a result the client suffered losses or financial instruments have been irretrievably lost.

1.16. Financial and Capital Market Commission ensures payment of compensation and only Clients who have submitted respective application with the Financial and Capital Market commission are entitled to the compensation.

1.17. The application for compensation has to be submitted within a year after Client has discovered that the Bank has not performed on its obligations but no later than within five years after the day when obligations were not performed on.

1.18. The compensation shall not be paid:

1.18.1. To person with regard to transactions subject to conviction in criminal proceedings related to legalization of illegally derived proceeds;

1.18.2. To participants of the scheme, insurance companies, investment management companies or other investors that have disclosed that they are professional investors;

1.18.3. To persons in one concern with the Bank;

1.18.4. To pension funds;

1.18.5. To the state and local governments;

1.18.6. To the following officers and employees of the Bank: members of the management and supervisory board, head of audit committee and members of said committee, head of internal audit and members of internal audit, other employees of the Bank authorized to plan, manage and control activity of the Bank and who are responsible of it, and to persons directly or indirectly owning more than five percent in the capital of the Bank;

1.18.7. To persons responsible for audit of Bank's accounting documents in accordance with the law;

1.18.8. To first line relatives and spouses of persons listed in clauses 1.13.6 and 1.13.7 and persons acting on behalf of persons mentioned in the clause 1.13.17;

1.18.9. To persons with regard to whom the Financial and Capital Markets Commission has established that under the specific terms and conditions of individual agreement they have received high interest rates or financial concessions or caused or used circumstances favourable to them, which has caused financial difficulties for the Bank or facilitated worsening of its financial standing.

1.19. Investor protection scheme does not apply when the Client has suffered losses due to changes in prices of financial instruments or such financial instruments becoming illiquid.

Information on preventing conflicts of interest

1.20. The Bank has developed and implemented a policy for preventing conflicts of interest while providing investment services and ancillary investment services, which is aimed at identifying and preventing or resolving conflicts of interest so as to provide fair treatment for all clients while providing investment services. Conflict of interests prevention policy, providing investment services and ancillary investment services, sets out the Bank's conflict of interest guidelines, procedures for identifying conflicts of interest, managing and preventing conflicts of interest and procedures for

detecting conflicts of interest. The full text of Conflict of interests prevention policy while providing investment services and ancillary investment services is available on the Bank's website.

2. Information about financial instruments and related risks

2.1. The Bank and the Company may provide investment services to a client with regard to various financial instruments. This disclosure document describes the most commonly used financial instruments, as well as the most significant risks associated with these financial instruments.

2.2. When dealing with financial instruments, the client must have sufficient experience in trading the relevant types of financial instruments and the client must, in any case, assess and acknowledge the following risks:

2.2.1. price risk - the probability that the client may suffer losses as the market price of the financial instruments involved in the transaction changes;

2.2.2. legal risk - amendments to legislation that may lead to additional costs or losses for the client;

2.2.3. credit risk - the risk of loss in case if the partner involved in the transaction (including the Bank, issuer of financial instruments) will not be able or will refuse to fulfill its obligations in accordance with the terms of the respective transactions;

2.2.4. liquidity risk - the likelihood of a loss due to insufficient liquidity of the market, which results in the difficult or impossible sale or purchase of assets;

2.2.5. operational risk - the possibility of suffering losses due to inadequate or incomplete internal processes, human or system operations or external factors;

2.2.6. interest rate risk - the likelihood that the client may suffer losses due to fluctuations in the financial market, which result in changes in financial market interest rates. For example, the value of debt financial instruments may change depending on changes in interest rates: if interest rates increase, the prices of these financial instruments decrease and vice versa;

2.2.7. country risk - the risk of suffering direct or indirect losses when adverse events in a given country affect the development of enterprises operating in the country and, accordingly, the value of financial instruments issued by these companies and / or the amount of income disbursed to the investor;

2.2.8. currency risk - the probability that the client may suffer losses due to fluctuations in the exchange rates involved in the transaction.

Equity securities

2.3. Equities are capital share securities issued by a company for the purpose of developing its business and which certifies to the investor that he owns a company's equity or a share of the equity. The shareholder is a co-owner of the company who is entitled to receive the distributable profits (dividends) or liquidation quota of the joint-stock company if the company goes bankrupt.

2.4. The type of shares (common or preferred) is determined by the issuer and is set forth in the bond prospectus. Common shares give its holder the right to vote in a shareholders' meeting, to receive dividends, to receive part of the property of the company that has left after the company goes bankrupt. Preferred shares usually give their owners the right to receive dividends (their specific size often predetermined), however, they do not allow participate and vote in shareholders' meetings. Shares are traded on a stock exchange. In some cases, unlisted shares may be purchased.

2.5. Earnings from the sale of shares are not guaranteed because stock prices are highly volatile - they fastly respond to any news regarding financial performance of companies (for example, earnings per share), profit forecasts, decisions of shareholders' meeting and other macroeconomic indicators.

2.6. The client must be prepared to take a high risk in transactions in equity securities. Risks inherent in equity securities transactions: credit risk, price risk, liquidity risk, currency risk, country risk, legal risk, operational risk, others.

Money market instruments

2.7. Money market instruments are over the counter (OTC) traded negotiable debt obligations (for example, treasury and local authority bills, certificates of deposit, commercial papers, mediumterm notes and bankers' acceptances) that certify that the investor lends money, but the issuer repays the full amount (nominal value), which includes both the amount of money invested and the agreed interest amount, after a certain period of time. Money market instruments are short-term financial instruments (up to 1 year) issued at a certain discount at face value and no additional interest costs are due until maturity. Money market instruments are usually issued by the state, if there is not enough money for execution of current payments, less frequent are business or municipal transferable instruments.

2.8. The yield on the money market instruments is similar to deposit rates and depends on the maturity and the issuer's financial position. Money market instruments can be sold up to their repayment date, but then you have to take the risk of not receiving the expected amount.

2.9. Money market instruments include certificates of deposit, which, during the life of a term deposit agreement, can be sold and designated in the name of another person without termination of a contract.

2.10. Risks inherent in transactions with money market instruments: credit risk, price risk, liquidity risk, currency risk, country risk, legal risk, operational risk, others.

Debt securities

2.11. Bonds are both stock exchange and OTC tradable debt obligations that certify that the issuer borrows, and the buyer of the bonds lends money.

2.12. Unlike money market instruments, bonds have a longer maturity (over 1 year), the interest payment is not included in nominal value, and the issuer can make regular payment of interest (coupons) and provide additional collateral if it is defined in the distribution document - the issue prospectus. Bonds can be issued by banks, companies, state and local governments.

2.13. The bond yield is closely related to the market interest rates, maturity, as well as the financial position of the issuer and the assigned credit rating, which characterizes the ability to repay the loan within a specified time. If the issuer's creditworthiness is measured to be the Investment grade (IG), then such issuer's bonds are considered safer compared to the Speculative grade (SG). A speculative credit rating provides higher coupon income, but also involves a higher risk that the amount invested may not, in part or in full, be repaid within the deadline. A bond can be sold until its maturity date, but then the investor must take into account that the bond prices fluctuate depending on market interest rates and it is possible to obtain higher or lower yields.

2.14. Risks inherent in transactions with debt securities: credit risk, price risk, liquidity risk, currency risk, country risk, legal risk, operational risk, risk of early redemption of bonds, others.

Investment funds

Regulated investment funds

2.15. Mutual investment funds are combination of many investors' monetary funds managed by an investment management company to maximize returns on the investment strategy chosen, as

described in the prospectus of each investment fund. This combination of funds allows to optimize transaction costs, hire a professional investment manager, minimize risks by distributing funds across multiple financial instruments, and open up access to otherwise unattainable financial markets. Transactions with regulated investment funds take place outside the stock exchange.

2.16. Investment fund strategies can vary significantly, therefore different types of regulated investment funds are distinguished, including:

2.16.1. Money market funds - investors' funds are placed in term deposits and short-term bonds. These funds have the lowest risk.

2.16.2. Bond funds - invest in state, local government and corporate bonds, as well as in bank deposits with a view to achieving long-term moderate capital appreciation with moderate risk;

2.16.3. Balanced funds - mainly invest in stocks and bonds with different proportions to achieve long-term capital growth and provide a way to earn both on the stock market during growth and on positive trends in bond markets;

2.16.4. Equity funds - invest in shares in different regions, sectors and industries, offering investors the opportunity to achieve high long-term profitability in market upturns;

2.16.5. Fund of funds - mainly invest in other investment funds with a view to ensure a certain level of risk, thus offering a ready-made strategy according to acceptable risk level, maturity and purpose of the investment.

2.17. The fund's assets form an investment portfolio that belongs to investors of the fund in proportion to their shares of investment fund. When buying shares in investment funds at a lower price and selling them after a certain time at a higher price, profits are generated. At the moment of the transaction, the price of investment fund share is not known, as the value of the fund unit is determined only at the end of the day. Depending on the timing of the order, the current or next business day prices apply for transactions with fund shares.

2.18. The activities of regulated investment funds are restricted by the UCITS V Directive (Directive 2014/91/EU on Undertakings for Collective Investment in Transferable Securities), which sets strict requirements for the investment strategy of the funds, risk diversification and facilitates the cross-border registration of investment funds.

2.19. Regulated investment funds are open-ended funds, which means that an investor can sell its fund shares at any time without any restrictions.

2.20. Risks inherent in transactions with regulated investment funds: credit risk, price risk, liquidity risk, currency risk, country risk, legal risk, operational risk, others.

Alternative investment funds

2.21. Alternative investment funds are investment funds which, in addition to traditional equity investments and bonds, also use investments in derivative financial instruments and types of investment that are not allowed for regulated investment funds in accordance with UCITS V Directive. Transactions with alternative investment funds take place OTC.

2.22. Alternative investment funds expect that the maximum use will be gained of both the trend of price increases and declines and the potential of different investment objects.

2.23. There are the following types of alternative investment funds:

2.23.1. commodity funds - invest in various financial instruments related to precious metals, gold, oil, etc .;

- 2.23.2. real estate funds - invest in real estate objects and provide financing of such objects, as well as invest in securities secured by immovable property;
- 2.23.3. hedge funds - apply an aggressive investment strategy, engaging in corporate governance of companies or using financial derivative instruments with a higher risk profile.

2.24. Typically, alternative investment funds are closed-ended funds that determine their availability for a small group of investors with significant investment amounts and impose restrictions on the sale of the fund's shares.

2.25. The risks inherent in transactions with alternative investment funds: credit risk, price risk, liquidity risk, currency risk, country risk, legal risk, operational risk, others.

Exchange traded funds

2.26. Exchange traded funds are investment funds traded on stock exchanges, just like stocks, and whose structure generally resembles a market index or whose price movements follow the price dynamics of a particular underlying asset (such as gold, oil). The fund's risk weight and expected return depends on which financial instruments are invested in. The structure of some stock-traded funds provides a leverage that further increases risk.

2.27. The risks inherent in transactions with exchange traded funds: credit risk, price risk, liquidity risk, currency risk, country risk, legal risk, operational risk, others.

Derivative financial instruments

Futures

2.28. Futures are exchange traded instruments, an agreement to purchase or sell a fixed size of transaction of base asset (currency, interest rate, shares, stocks, bonds, oil, gold and other raw materials) at a fixed price. Contracts are traded on a stock exchange with a standardized maturity and amount, providing a standardized delivery method for the underlying asset.

2.29. Normally, in order to buy or sell futures, it is not necessary to reserve funds at the moment of closing the agreement for the full value of the contract, but to provide a collateral for a specified part of the value of the contract. Thus, forward transactions are traded through a leverage that allows a transaction to be made for a significantly larger amount and, accordingly, maximize potential returns.

2.30. The client must be prepared to assume the risk that the early sale of the contract will result in loss or additional liability, and the execution or extension of the transaction may be unprofitable and unplanned at the end of the term. If collateral used is money, securities or other financial instruments, then there may be cases where additional collateral is required to be provided by the client for the continuation of the transaction. If the client can not provide additional collateral, the Bank may use the existing collateral to close the client's position.

2.31. Risks inherent in futures: price risk, liquidity risk, interest rate risk, currency risk, country risk, legal risk, operational risk, risk of loss of or partially secured, others.

Forwards

2.32. Forward contracts are OTC bilateral agreements with a pre-agreed transaction value for the purchase or sale of a fixed asset (currencies, interest rates, shares, equity indices, bonds, oil, gold and other raw materials) at a specific date in the future at a price fixed at the time of the transaction. The transaction price, maturity and delivery of the underlying asset may be adjusted to the needs of the investor.

2.33. In order to enter into a transaction, the Bank requires a collateral from the client, the amount of which depends on the underlying asset. Thus, the financial leverage mechanism operates - only a part of the investment must be provided initially and deal could be concluded for a larger amount,

resulting in an increase in both potential benefits and losses. If the client can not provide additional collateral, the Bank may use the existing collateral to close the client's position.

2.34. In the case of forward agreements, the client must be prepared to assume possible additional liabilities and take into account the risks inherent in the transaction: price risk, liquidity risk, interest rate risk, currency risk, legal risk, operational risk, risk of losing collateral or part of it, others.

Swaps

2.35. Swaps are OTC transactions, bilateral agreements in which the parties agree to exchange cash flows. Cash flows may depend on the underlying asset - interest rates, exchange rates, stock prices, stock index values, commodity prices. In order to conclude this transaction, the client must additionally provide collateral, the amount of which depends on the transaction's underlying asset and the maturity of the transaction.

2.36. Mainly two types of swaps are used:

2.36.1. FX swaps are transactions for the sale of a currency at the settlement date at the exchange rate set at the time of the transaction, but with the obligation to repurchase the amount at another specified settlement date for the forwards exchange rate determined at the time of the transaction, which depends on the difference between the interest rates of both currencies.

2.36.2. Interest rate swaps (IRS) are transactions for the exchange of interest payments, i.e. the obligation to pay interest payments on agreed terms (frequency), calculated using the agreed principal and interest rate.

2.37. A client who wants to make such transactions should be prepared to make additional commitments that it will be possible to increase the collateral in the event of a rapid change in financial markets. If the client can not provide additional collateral, the Bank may use the existing collateral to close the client's position.

2.38. The client must take into account the risks inherent in the transaction: price risk, liquidity risk, interest rate risk, currency risk, legal risk, operational risk, risk of losing collateral or part of it, others.

Options

2.39. Options are exchange or OTC traded bilateral agreements that create an obligation for the seller and give a right (not the obligation) to the buyer after paying a certain amount (premium), to purchase (call option) or sell (put option) the amount of the underlying asset at a specified strike price on a future date.

2.40. The amount of the premium paid depends on the volatility of the underlying asset (currencies, interest rates, shares, stock indices, bonds, oil, gold and other commodities), expiry date, strike price and other less essential factors.

2.41. After the expiry of the option, the investor's entitlement is no longer valid and the option price is zero. The seller of the option assumes financial risks to an unlimited extent in order to be able to fulfill the obligations under the agreement.

2.42. Risks inherent in options: price risk, liquidity risk, interest rate risk, currency risk, legal risk, operational risk, others.

Structured financial instruments

2.43. Structured financial instruments combine different types of financial instruments to create high returns and specific investment properties.

2.44. Each structured product has a different risk profile and the Bank agrees with the client on a case-by-case basis.

Transactions related to financial instruments

REPO transaction

2.45. A repo transaction is an OTC transaction, a bilateral agreement, which provides that the holder of the financial instrument receives a cash sum and transfers the financial instrument to the other party, undertaking to repurchase it at a fixed price at the end of the period. The cost of the money used is included in the repurchase price and depends on the situation in financial markets.

2.46. For a financial instrument owner, this transaction is a sale by repurchase (repo transaction), and for a buyer of financial instruments - a buy back sale (reverse repurchase transaction).

2.47. Repo transactions are usually for a specified maturity, using government bonds or other liquid financial instruments as a transaction object.

2.48. A client that wants to make such transactions should be prepared to make additional commitments that it will be possible to increase the collateral in the event of a rapid change in financial markets. If the client can not provide additional collateral, the Bank may use the existing collateral to close the client's position.

2.49. The risks inherent in a REPO: price risk, liquidity risk, interest rate risk, currency risk, country risk, legal risk, operational risk, others.

FX margin trading

2.50. FX margin transaction is an agreement that a client concludes with a view to profit as a result of a fluctuation in foreign exchange rates by depositing a margin and making settlements only in respect of the amount of profits or losses calculated in the form of offsetting, and which occurs after closing the client's open position by closing the opposite transaction. No physical currency delivery is foreseen in the transaction.

2.51. In order to enter into a transaction, the Bank requires a collateral from the client, the amount of which depends on the underlying asset. Thus, the financial leverage mechanism operates - by contributing only part of the investment made, transactions can be closed to a larger amount, resulting in an increase in both potential benefits and losses. If the client can not provide additional collateral, the Bank may use the existing collateral to close the client's position.

2.52. In the margin currency trading, the client must be prepared to take on possible additional obligations and take into account the risks inherent in the transaction: price risk, liquidity risk, interest rate risk, currency risk, legal risk, operational risk, country risk, others.

3. Information on keeping of financial instruments

3.1. The Bank may hold client's financial instruments at third parties of which the Bank informs the client upon its request.

3.2. Third parties with whom the Bank may hold client's financial instruments may change without prior notice.

3.3. Third parties with whom the Bank may hold client's financial instruments may be subject to foreign rules and regulations that are different from the rules and regulations of the Republic of Latvia. Consequently, the client's rights to financial instruments may also differ from Latvian law and the rights stipulated in the agreements between the client and the Bank.

3.4. The Bank is not liable for the loss, in whole or in part, of financial instruments owned by the client as a result of a third party's action, inaction or insolvency. In this case, the provisions of investor protection scheme described above apply to the client.

3.5. The client's financial instruments with third parties may be held in the nominal account, where financial instruments of several clients maybe held together, thus there is a risk that the client's

financial instruments are used for the execution of another client's orders and there is a risk of losing these financial instruments in whole or in part.

3.6. The Bank has netting rights in respect of financial instruments owned by the client and the Bank is entitled to use financial instruments owned by the client to fulfil its obligations towards the Bank.

3.7. Third parties with whom the Bank may hold client's financial instruments may also have netting rights in respect of client financial instruments held in the Bank's nominal account and a third party may use these financial instruments to fulfil the Bank's obligations towards a third party.

3.8. Individual contracts for the provision of financial services may provide for the establishment of financial collateral over client's financial instruments in order to secure client's obligations to the Bank arising from contracts concluded between the client and the Bank.

4. Information on the costs of investment services

4.1. The Bank's fees for the provision of investment services are indicated in the Tariffs of the Bank, which is available on the Bank's website. Other costs related to the client's transactions depend on the nature of the transaction and participants of the financial market involved therein as well as on the foreign regulatory framework for the financial instruments market and the amount of such additional costs will be notified by the Bank before the provision of each specific service.

4.2. Each client will receive an annual statement of costs and payments. A detailed overview of the report will be provided to each client on request.

4.3. The Bank's commission client is obliged to pay by providing the amount necessary for payment of commission on his investment or current account (depending on agreement). The Bank debits client's accounts for the amount of Bank's commission without prior client's consent.

5. Other information

5.1. The Bank informs the client that the information not included in this document (including information about the client's status and place of order execution, as well as other important information) is included in:

- Terms of Maintenance of the Financial Instruments Account and Entering into Transactions with Financial Instruments of the Bank;
- General Transaction Provisions;
- Tariffs of the Bank;
- Policy for Prevention of Conflicts of Interest in Provision of Investment Services and Ancillary Investment Services of the Bank;
- Policy for Determination of a Client's Status in the Field of Rendering Investment Services of the Bank;
- Order Execution Policy in the Field of Rendering Investment Services of the Bank,

which are published on the Bank's website and the client has to read them before dealing with financial instruments using the Bank's services.

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