

# Policy for Determination of a Client's Status in the Field of Rendering Investment Services



## Approved

Signet Bank AS

At the session of the

Supervisory Board: 25.08.2021.

Minutes No: 1-3/23

## Accepted

Signet Bank AS

At the session of the

Management Board: 19.08.2021.

Minutes No: 2-1/35

Process Owner: Head of Compliance and Risk Management Department

Document Details: 5-1.1/950

## Chronology of Versions:

Version	In effect from:	Comments	Pages/ Annexes
1.0.	19.07.2013.	Initial version.	5/0
1.1.	30.06.2016.	Updated version.	5/0
2.0.	31.05.2018.	The Policy is improved, taking into account changes of MiFID II requirements.	5/0
2.1.	02.07.2019.	General amendments.	5/0
2.2.	31.07.2020.	General amendments.	5/0
2.3.	25.08.2021.	General amendments.	5/0



## Table of Contents

I Terms Used .....	2
II General Provisions .....	2
III Eligible Counterparty Status .....	3
IV Professional Client Status .....	3
V Retail Client Status .....	5

## I Terms Used

1. **Bank** – Signet Bank AS.
2. **Interest Conflict Prevention Policy** – the regulatory document of the Bank 'Policy for Prevention of Conflicts of Interest in Provision of Investment Services and Ancillary Investment Services'.
3. **Policy** – the regulatory document of the Bank 'Policy for Determination of a Client's Status in the Field of Rendering Investment Services'.
4. **Order Execution Policy** – the regulatory document of the Bank 'Order Execution Policy in the Field of Rendering Investment Services'.

## II General Provisions

5. Ensuring observance of requirements of binding legal acts, the Bank assigns one of 3 (three) statuses to persons to whom the Bank renders investment services and ancillary investment services: retail client, professional client or eligible counterparty status.
6. The Bank assigns a status to the client, estimating the information rendered by the client on his/ her activity, knowledge and experience in transactions with financial instruments, and depending on the assigned status, the Bank takes measures for protection of clients' interests stipulated in the rules and regulations.
7. The Bank informs the clients on the status assigned to them prior to rendering investment services and/ or ancillary investment services.
8. The Bank usually assigns the client's status with regard to all investment services and/ or ancillary investment services rendered to the client. In some cases, if it is provided by the Policy or the agreement, concluded with the client, the Bank may assign the client's status with regard to the certain types of the investment services, the certain types of transaction, one particular transaction or one particular financial instrument.
9. The client is entitled to request change of the assigned status submitting a written application to the Bank.
10. The Bank is entitled to refuse to change the client's status. If the Bank accepts the client's application, the Bank changes the client's status entering into a written agreement with the client, having preliminary estimated the client's experience and activity.
11. The client shall immediately inform the Bank about any facts and changes in the previously rendered information that may affect the client's compliance with the assigned status or requirements thereto.
12. The Policy is accepted by the Management Board of the Bank and it is approved by the Supervisory Board of the Bank.



13. The Bank regularly, but not less than once a year, evaluates compliance of the Policy with regular and planned development of the Bank, and ensures its updating, if necessary.
14. The Policy takes effect from the moment of approval and the internal regulatory document of the Bank 'Policy for Determination of a Client's Status in the Field of Rendering Investment Services' approved on 31.07.2020. loses force upon approval hereof.

### **III Eligible Counterparty Status**

15. The eligible counterparty status is assigned to:
  - 15.1. investment brokerage companies;
  - 15.2. credit institutions;
  - 15.3. insurance companies;
  - 15.4. investment management companies;
  - 15.5. pension funds and pension fund management companies;
  - 15.6. other financial institutions that are licensed and operate in accordance with the rules and regulations of member states of the EU or other foreign countries regulating financial services;
  - 15.7. governments and other state institutions managing the national debt;
  - 15.8. central bank;
  - 15.9. supra-national organisations.
16. The lowest level of protection is applied to eligible counterparties. Transactions between the Bank and eligible counterparties are considered to be a cooperation of equal counterparties.
17. In transactions that the Bank concludes with an eligible counterparty the Bank applies the Interest Conflict Prevention Policy and it is entitled not to apply the requirements stipulated in Sections 126, 126.<sup>1</sup>, 126.<sup>2</sup>, 128, 128.<sup>1</sup>, 128.<sup>2</sup> and 128.<sup>3</sup> of the Financial Instrument Market Law.
18. An eligible counterparty may request change of the status in accordance with the procedure stipulated in the Policy. The Bank does not assign the status of a retail client to the client who complies with the status of an eligible counterparty.
19. Only the eligible counterparty status is assigned to cooperation partners of the Bank.

### **IV Professional Client Status**

20. The professional client status is assigned to:
  - 20.1. institutions which are licensed for conducting activity on the financial market and is a subject to supervision in the Republic of Latvia or abroad that are:
    - 20.1.1. credit institutions;
    - 20.1.2. investment brokerage companies;
    - 20.1.3. other licensed or regulated financial institutions;
    - 20.1.4. investment funds and investment management companies;
    - 20.1.5. insurers;



- 20.1.6. pension funds;
  - 20.1.7. commodities dealers;
  - 20.1.8. companies that make transactions for their own account on the markets of options, futures or financial derivatives or of underlying assets of derivative contracts for the sole purpose of hedging positions on financial derivatives markets or that make transactions for the account of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such companies is assumed by clearing members of the same markets;
  - 20.1.9. other commercial companies, the basic activities of which is investment into financial instruments and which make bulk investments;
  - 20.2. commercial companies that comply with at least two of the three requirements referred to below:
    - 20.2.1. own funds are not less than 2 (two) million euro;
    - 20.2.2. net turnover is not less than 40 (forty) million euro;
    - 20.2.3. balance sheet total is not less than 20 (twenty) million euro;
  - 20.3. governments and local governments, public institutions that service public debt, national central banks, the World Bank, International Monetary Fund, European Central Bank and other international financial institutions;
  - 20.4. other commercial companies, the basic activities of which is investment into financial instruments and which make bulk investments;
  - 20.5. persons who are recognised as professional clients in another country in accordance with the procedure that is equivalent to the procedure set by the Bank.
21. The Bank is entitled to recognise any client that is not referred to in Clause 20 of the Policy but expressed written wish to be treated as a professional client, either generally or in respect of a particular investment service or transaction, or type of transaction or product, if:
- 21.1. the Bank has evaluated the client's competency, knowledge and experience and received confirmation of the fact that, taking into account the specific nature of a particular transaction, the client is able to make decisions on investments independently and is aware of the inherent risks, and the client meets at least 2 (two) of the following criteria:
    - 21.1.1. the client has made transactions of a notable volume on the respective market, at least 10 (ten) transactions per quarter during the previous 4 (four) quarters;
    - 21.1.2. the value of the client's financial instruments portfolio, including financial resources and financial instruments, exceeds 500,000 (five hundred thousand) euro;
    - 21.1.3. the client has an experience in the financial sector of at least 1 (one) year in a position requiring knowledge in respect of transactions and services



that the person intends to make or receive as a professional client;

- 21.2. the Bank gave client a clear written warning of the protections and investor compensation rights he may lose;
- 21.3. the client has stated in writing, in a separate document from the contract, that he is aware of the consequences of losing such protections.
22. The average level of protection is applied to a professional client, and the Bank is entitled to consider that a professional client has sufficient knowledge to obtain the information necessary for making a decision independently and evaluate appropriateness of an investment service.
23. In transactions with professional clients, the Bank applies the Order Execution Policy and Interest Conflict Prevention Policy, but the Bank does not evaluate appropriateness of an investment service regarding which professional status is assigned to the client.

#### **V Retail Client Status**

24. The retail client status is applicable to the clients who do not comply with the criteria of a professional client or eligible counterparty status.
25. The higher level of protection is applied to retail clients in the following manner:
  - 25.1. applying the Order Execution Policy;
  - 25.2. requesting information from the client enabling the Bank to evaluate the client's knowledge and experience in connection with investment services;
  - 25.3. having evaluated appropriateness of an investment service and ancillary investment service;
  - 25.4. applying the Interest Conflict Prevention Policy;
  - 25.5. supplying clients with detailed information about the Bank as an investment service provider, the offered services and related costs;
  - 25.6. ensuring provision of a report on a transaction in accordance with requirements of the regulatory enactments of the Republic of Latvia.

\* \* \* \* \*