

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

## Approved

Signet Bank AS

At the session of the

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### I Terms Used

#### 1. **Associated Person:**

- 1.1. the Chairperson of the Management Board or Supervisory Board, member of the Management Board or Supervisory Board of the Bank/ the Group's company, a tied agent or another person that incurs civil liability on the Bank/ the Group's company by taking important decisions on its behalf;
- 1.2. chairperson or member of the management board or supervisory board 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/ the Group's company 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/ the Group's company;
- 1.4. natural person who is directly engaged in the provision of an outsourced service to the Bank/ the Group's company or its tied agent by providing Investment Services;
- 1.5. other persons who directly or indirectly exercise control over the Bank/ the Group's company.

#### 2. **Bank** – Signet Bank AS.

#### 3. **CCO** – the Chief Compliance Officer; an independent and competent officer of the Group in charge of the overall compliance control function in the Group.

#### 4. **Financial Analyst** – an employee of the Bank/ the Group's company who develops the content of the Investment Research.

#### 5. **Group** – the Bank and its subsidiaries that provide Investment and Ancillary Services.

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

- 6.1. holding of financial instruments;
- 6.2. granting of credits or loans to the Clients for execution of transactions with financial instruments when the Bank/ the Group's company is the second party of a transaction;
- 6.3. 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, including services provided by Certified Advisers;
- 6.4. currency exchange services if they are related to rendering of the Investment Services;
- 6.5. provision of the Investment Research, financial analysis or other general



recommendations concerning transactions with financial instruments.

7. **Investment Services** – for the purposes of the Policy:
  - 7.1. acceptance and routing the Client's orders related to transactions with financial instruments for execution;
  - 7.2. execution of the Client's orders related to transactions with financial instruments for the Client's or third party's account;
  - 7.3. portfolio management services;
  - 7.4. initial offering of financial instruments if the Bank/ the Group's company does not repurchase financial instruments or does not guarantee their repayment;
  - 7.5. 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;
  - 7.6. execution of transactions with financial instruments for account of the Bank/ the Group's company;
  - 7.7. advising on investments into financial instruments.
8. **Investment Research** – for the purposes of the Policy, investment research means 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:
  - 8.1. it is labelled as the Investment Research or is otherwise presented as an objective or independent explanation of the matters contained in the research;
  - 8.2. it is not a recommendation to the Client provided during a consultation on investments in financial instruments.

A review prepared by employees of the Bank/ the Group's company on the situation and trends in the economy, financial markets, certain business sectors, as well as on companies represented in these sectors and financial instruments issued by them, prepared for information purposes, which does not directly or indirectly suggest or propose an investment strategy on one or more financial instruments or issuers of financial instruments, as well as does not contain an opinion on the present or future value or future price of such instruments, shall be considered as a market overview. An overview indicates that it has been prepared without taking into account the requirements of regulatory acts aimed at ensuring the independence of Investment Research. The overview can be distributed to clients or potential clients of the Bank/ the Group's company.
9. **First North** – a multilateral trading facility developed and operated by the Nasdaq Riga, but which is not a regulated market for the purposes of the Financial Instrument Law and other rules and regulations.
10. **Client** – for the purposes of the Policy, Client means the person who has concluded an agreement for receipt of the Investment Services or Ancillary Investment Services with the Bank/ the Group's company and accepted the regulatory document of the Bank



'Order Execution Policy in the Field of Rendering Investment Services', including a person to whom the services by a Certified Adviser are being provided.

11. **Inducement** – a fee, commission or non-monetary benefit paid or received by the Bank/ the Group's company from a third party in connection with the Investment or Ancillary Services provided to the Client.
12. **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:
  - 12.1. the transaction has been made outside the scope of the job or of the professional duties of that person;
  - 12.2. the transaction has been made for the account of that person;
  - 12.3. 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;
  - 12.4. 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.
13. **Policy** – the regulatory document of the Bank 'Policy for Prevention of Conflicts of Interest in Provision of Investment Services and Ancillary Investment Services'.
14. **Certified Adviser** – a legal entity that complies with the requirements set forth in rules of Nasdaq Riga Alternative Market First North and has entered into an agreement with Nasdaq Riga to provide assistance to issuers and perform the duties of a Certified Adviser on the First North market.

## II General Provisions

15. 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.
16. The Policy is developed observing requirements of the Financial Instrument Market Law, European Parliament and Council Directive 2014/65/EU, European Commission Delegated Directive (EU) 2017/593, European Commission Delegated Regulation (EU) 2017/565, European Commission Regulation (EC) Nr. 1287/2006.
17. The Policy's principles are applied in the Bank and in all the Group's companies, i.e. the Group's - wide policies and procedures are implemented to prevent conflicts of interest when providing Investment Services and Ancillary Investment Services.
18. The Group's companies, taking into account their business models, may develop and approve their internal regulatory documents that regulate in detail various matters related to Conflict of Interest Situations management, complying with the following



principles:

- 18.1. these internal documents must comply with the principles set out in the Policy and external legislation;
  - 18.2. policy level documents are agreed with the Bank in accordance with the procedures existing in the Group;
  - 18.3. if the Group's company chooses not to develop a separate policy, this Policy is binding on it in full.
19. Not less than once a year, the Management Board of the Bank reports to the Supervisory Board 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.
  20. The Supervisory Board of the Bank revises the Policy at least once a year, evaluating its actuality, and approves it.
  21. 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 25.08.2021. loses force upon approval hereof.
  22. The Policy's up to date version is available on the website of the Bank ([www.signetbank.com](http://www.signetbank.com)).

### III Key Principles

23. The prevention of conflicts of interest is ensured by observing the following key principles:
  - 23.1. 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;
  - 23.2. restrictions with regard to performance of the Personal Transactions by employees and officers of the Bank/ the Group's company are determined in the Bank/ the Group's company;
  - 23.3. the Bank/ the Group's company exercises rigorous control with regard to the employees of the Bank/ the Group's company whose key duties are performance of actions on behalf of the Client or rendering of services to the Client;
  - 23.4. creation and maintenance of the Personal Transactions Register;
  - 23.5. the Bank/ the Group's company relies on correctness of the information provided by the Associated Persons;
  - 23.6. the Policy is regularly updated;
  - 23.7. the collegiate body/ structural division/ person, which performs supervision of conflict-of-interest situations, is determined in the Bank/ the Group's company.

### IV Conflict-of-Interest Situations

24. Identifying conflict-of-interest situations, the Bank/ the Group's company is aware that a conflict of interest may arise:
  - 24.1. between an employee of the Bank/ the Group's company and the Client;
  - 24.2. between a tied agent of the Bank/ the Group's company and the Client;



- 24.3. between the person who directly or indirectly exercise control over the Bank/ the Group's company and the Client;
  - 24.4. between the Clients of the Bank/ the Group's company;
  - 24.5. between the Associated Person and the Client.
25. The circumstances that may give rise to a conflict of interest are characterised by the situations:
- 25.1. when providing all kind of Investment Services and Ancillary Investment Services to Clients the Bank/ the Group's company or an Associated Person:
    - 25.1.1. is likely to make a financial gain or avoid a financial loss at the expense of the Client;
    - 25.1.2. 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;
    - 25.1.3. has an incentive to favour the interests of another Client or a group of Clients;
    - 25.1.4. carries out the same professional activity as the Client;
    - 25.1.5. 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;
  - 25.2. 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/ the Group's company or an Associated Person has an internal information regarding Client's transactions/ planned transactions;
  - 25.3. the Bank/ the Group's company or an 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;
  - 25.4. 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:
    - 25.4.1. financial instruments issued by the Bank/ the Group's company with regard to which the Bank/ the Group's company has provided an investment recommendation or other recommendation or research;
    - 25.4.2. financial instruments with regard to distribution and offering of which the Bank/ the Group's company entered into an agreement with third parties, in particular, when the Bank/ the Group's company receives a commission fee for it;





- 25.4.3. financial instruments, the issue or placement of which (also without making such actions public) has been performed by the Bank/ the Group's company, or the Bank/ the Group's company has organised or assisted a third party in performance of such actions;
  - 25.4.4. financial instruments, with regard to which the Bank/ the Group's company is a market maker.
26. Where organizational or administrative arrangements maintained and operated by the Bank/ the Group's company 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/ the Group's company explicitly discloses to the Client the essence or the sources of conflicts of interest.
27. The Bank/ the Group's company 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/ the Group's company or on behalf of the Bank/ the Group's company 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 Inducements

### A) General Provisions

28. If in the provision of Investment or Ancillary Services the Bank/ the Group's company provides or receives Inducements, it assesses compliance of the Inducements with the Policy as part of the product management process. Information about the Inducements received by the Bank/ the Group's company is disclosed on the Bank's website ([www.signetbank.com](http://www.signetbank.com)).
29. In the provision of Investment or Ancillary Services, the Bank/ the Group's company does not receive third party Inducements:
- 29.1. for the routing of the Client's orders to a specific trading venue or execution venue;
  - 29.2. if the provision of the relevant services to the Client is biased or distorted as a result of the Inducement.
30. In the provision of Investment or Ancillary Services, the Bank/ the Group's company may receive and retain third party Inducements if the below conditions are met:
- 30.1. the Inducement is designed to enhance the quality of the service provided to the Client, and does not impair compliance with the Bank's/ the Group's company duty to act honestly, fairly and professionally in the Client's interests;
  - 30.2. the Inducement is a minor non-monetary benefit that is reasonable, proportionate and of such a scale that it is unlikely to influence the Bank's/ the Group's company behaviour in a manner that would harm the relevant Client's interests.
31. In assessing compliance of the Inducement with the Policy, the Bank/ the Group's company documents how the relevant Inducement enhances the quality of the service provided to relevant Clients and the steps taken to not adversely affect the Bank's/ the Group's company duty to act honestly, fairly and professionally in accordance with the



Client's interests.

32. Within the meaning of the Policy, Inducements are not the payments or benefits which:
  - 32.1. are necessary to provide the relevant Investment or Ancillary Services, for instance, financial instruments custody costs, settlement and exchange fees, regulatory levies or legal/ financial fees;
  - 32.2. cannot, by their nature, give rise to conflicts with the Bank's/ the Group's company duty to act honestly, fairly and professionally in accordance with the interests of its Clients.
33. Inducements are deemed to be designed to enhance the quality of the service provided to the Client if the below conditions are met:
  - 33.1. it is justified by the provision of an additional or higher level service to the relevant Client in proportion to the level of the Inducements received, including:
    - 33.1.1. providing investment advice on a wide range of suitable financial instruments and access to such financial instruments, including an appropriate number of financial instruments offered by third party product providers having no close links with the Bank/ the Group's company;
    - 33.1.2. providing investment advice combined with a stand-alone service that may be of value to the Client, for instance, an offer to the Client on an annual basis to assess the continuing suitability of the financial instruments in which the Client has invested;
    - 33.1.3. providing access, at a competitive price, to a wide range of financial instruments that are likely to meet the Client's needs, including an appropriate number of financial instruments offered by third party product providers having no close links with the Bank/ the Group's company;
  - 33.2. it does not directly benefit the Bank/ the Group's company, its shareholders, members or employees without tangible benefit to the relevant Client;
  - 33.3. it is justified by the provision of an on-going benefit to the relevant Client in relation to an on-going Inducement.

***B) Disclosure to Clients***

34. Prior to the provision of the Investment or Ancillary Service, the Bank/ the Group's company discloses to the Client information about the Inducement received from or paid to third parties.
35. If the Bank/ the Group's company was unable to estimate the amount of the Inducement on an ex-ante basis, the Bank/ the Group's company discloses the method of calculating the amount and information on the actual amount of the Inducement received or paid on an ex-post basis prior to providing the Investment or Ancillary Service.
36. If the Bank/ the Group's company receives on-going Inducements, it, at least once a year, informs its Clients about the amount of Inducements actually received or paid.
37. Information on minor non-monetary benefits is disclosed to Clients prior to the





provision of the relevant Investment Service or Ancillary Investment Service.

38. The Bank/ the Group's company informs about minor non-monetary benefits by describing them in a generic way on the Bank's website (www.signetbank.com).

**C) Inducements in respect of Investment Advice on an Independent Basis or Portfolio Management Services**

39. Providing investment advice on an independent basis or portfolio management services:

39.1. the monetary benefits received from third parties in relation to the independent investment advice and portfolio management provided may not be retained. If such monetary benefits are received, they are respectfully allocated and transferred to Clients in full and the Clients are informed about the monetary benefits transferred to them;

39.2. non-monetary benefits that do not qualify as acceptable minor non-monetary benefits are not accepted.

**VI Measures for Elimination and Management of Conflict-of-Interest Situations**

**A) General Conditions**

40. The Bank/ the Group's company creates such internal organisational structure of the Bank/ the Group's company that mitigates likelihood of arising of conflict-of-interest situations.

41. The Bank/ the Group's company 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.

42. The Bank/ the Group's company 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.

43. The Bank/ the Group's company 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/ the Group's company, that may be contrary to the Client's interests.

44. The Bank/ the Group's company 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.

45. In accordance with its internal regulatory documents of the Bank/ the Group's company, the Bank/ the Group's company 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.

46. It is forbidden to the Associated Persons of the Bank/ the Group's company 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.

47. The action of the Associated Person in case of acceptance of gifts is regulated by the internal regulatory document of the Bank 'Corporate Values, Professional Action and Ethics Standards' (the Group's – wide document). 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.
48. With regard to all situations giving rise or which may give rise to a conflict of interest, each employee of the Bank/ the Group's company immediately notifies CCO (at the Bank)/ structural unit/ person/ collegial institution responsible for managing conflicts of interest at the relevant Group's company (hereinafter – the Responsible Structural Unit).
49. CCO (at the Bank)/ the Responsible Structural Unit (at the Group's company) provides supervision of the transactions with financial instruments that may give rise to a conflict of interest and immediately informs the Management Board of the Bank/ the relevant Group's company on any discovered violations of the stipulated procedure.
50. The Responsible Structural Unit provides CCO with aggregated information on potential and/ or real Conflict of Interest Situations identified in the Group's company on a quarterly basis.
51. The Bank/ the Group's company develops the internal regulatory documents of the Bank/ the Group's company that are necessary for implementation of the Policy that determine duties and responsibility of structural divisions and employees of the Bank/ the Group's company as well as regulate performance of some actions.

**B) Restrictions with Regard to Performance of the Personal Transactions**

52. It is forbidden to the Associated Persons:
  - 52.1. making the Personal Transaction on the basis of inside information of the Bank/ the Group's company available to the person as a result of job or professional duties in the Group;
  - 52.2. making the Personal Transactions by using or inappropriately disclosing information that contains a business secret;
  - 52.3. 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/ the Group's company;
  - 52.4. 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):
    - 52.4.1. a transaction is performed on the basis of inside information of the Bank/ the Group's company available to the person as a result of job duties in the Bank/ the Group's company;
    - 52.4.2. the information available to the person on pending Client's orders is



misused;

- 52.4.3. 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;
- 52.5. 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 52.4 of the Policy apply, except where information has been disclosed by performing job or professional duties.
53. The Associated Persons notify the Bank/ the Group's company on the Personal Transactions performed by them.
54. The Bank/ the Group's company may establish that the Associated Person shall have the Bank's/ the Group's company permission for making the Personal Transactions with regard to every transaction or any specific financial instrument. The permission is issued by CCO (at the Bank)/ the Responsible Structural Unit of the relevant company of the Group, informing CCO on it .
55. Where the Bank/ the Group's company has established that a permission issued by it is necessary for making the Personal Transactions, it keeps information on the issued permissions or refusals to grant permission.
56. Clause 52 of the Policy is not applied, if:
  - 56.1. the Personal Transactions effected under a discretionary portfolio management service where there is no prior communication in connection with the transaction between the portfolio manager and the relevant person or other person for whose account the transaction is executed;
  - 56.2. the Personal Transactions in undertakings for collective investments in transferable securities (UCITS) or AIFs that are subject to supervision under the law of a Member State which requires an equivalent level of risk spreading in their assets, where the relevant person and any other person for whose account the transactions are effected are not involved in the management of that undertaking.
57. The Bank/ the Group's company 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**

58. It is forbidden to the Financial Analyst and the Associated Persons:



- 58.1. to perform the Personal Transactions or transactions for the account of other person, including for the account of the Bank/ the Group's company, 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;
  - 58.2. 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 CCO (at the Bank)/ the Responsible Structural Unit of the relevant company of the Group;
  - 58.3. to accept material or other inducements from the persons that might be interested in the content of the Investment Research;
  - 58.4. to promise an issuer a favourable research coverage.
59. Prior to the distribution of Investment Research to the issuers the relevant persons other than Financial Analysts and any other persons are not permitted to review the Investment Research draft, in order to verify the facts mentioned in the Investment Research, or for any other purpose except for compliance verification with the Bank's/ the Group's company legal obligations, if the draft includes a recommendation or target price.

***D) Restrictions with regard to provision of services by a Certified Adviser***

60. The Bank/ the Group's company must not acquire more than 10 (ten) % of the Issuer's share capital or voting share if it provides Certified Adviser services in the capacity as a Certified Adviser.
61. Employees of the Bank/ the Group's company directly involved in the provision of Certified Adviser services are prohibited from trading financial instruments of the respective issuer to whom the Bank/ the Group's company provides its Certified Adviser services.

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