

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



Approved

Signet Bank AS

At the session of the

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2.4.	28.03.2022.	Guidelines for granting professional client status are clarified.	5/0
2.5.	22.12.2023.	Specified persons who can obtain the status of eligible counterparty, professional client status. The Bank's actions in the status assignment/ change process have been clarified.	6/0
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Table of Contents

I Terms Used	2
II General Provisions	2
III Eligible Counterparty Status	3
IV Professional Client Status	4
V Retail Client Status	6

I Terms Used

1. **Bank** – Signet Bank AS.
2. **Interest Conflict Prevention Policy** – the regulatory document of the Group '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 person 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 28.03.2022. loses force upon approval hereof.

III Eligible Counterparty Status

15. The eligible counterparty status is assigned to:
 - 15.1. investment brokerage company;
 - 15.2. credit institution;
 - 15.3. insurance company;
 - 15.4. investment management company;
 - 15.5. pension fund and pension fund management company;
 - 15.6. other financial institution that is licensed and operate in accordance with the rules and regulations of member states of the EU or other foreign country regulating financial services;
 - 15.7. government and other state institution managing the national debt;
 - 15.8. central bank;
 - 15.9. supranational organisation.
16. The status of eligible business partner can also be applied to:
 - 16.1. for a goods dealer;
 - 16.2. for a company that carries out transactions on its own behalf in the markets of options contracts, futures contracts or derivative financial instruments or in the markets of the underlying asset of a derivative instrument, the sole purpose of which is to limit financial risk in the market of derivative financial instruments, or which conducts transactions at the expense of other participants in these markets or creates prices for them , and which is guaranteed by the participants of the settlement system in this market, if the responsibility for ensuring the performance of contracts concluded by such companies is assumed by the participants of the settlement system in this market;
 - 16.3. another commercial company whose main activity is investing in financial instruments and which makes such investments on a large scale;
 - 16.4. for a commercial company and another legal entity that meets 2 (two) of the mentioned 3 (three) requirements:
 - 16.4.1. equity - not less than 2 (two) million euros;
 - 16.4.2. net turnover - not less than 40 (forty) million euros;
 - 16.4.3. balance sheet value - not less than 20 (twenty) million euros;
 - 16.5. to the state institution that manages the state debt, the state's central bank, the World Bank, the International Monetary Fund, the European Central Bank and another international financial institution.



17. Before starting the provision of investment services and investment ancillary services, the Bank informs the person mentioned in Clauses 15 or 16 of the Policy about the status of the eligible business partner applied to it.
18. 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.
19. In its relations with the eligible business partner, the Bank acts honestly, fairly and professionally and carries out fair, clear and non-misleading communication, taking into account the nature of the eligible business partner and its commercial activities.
20. 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, 126.¹, 126.², 128. (except the seventh part of Article 128), in the first part of 128.¹, 128.² and 128.³ of the Financial Instrument Market Law.
21. The person referred to in Clauses 15 or 16 of the Policy may request that the Bank grants them the status of a professional or private client in accordance with the procedures specified in the Financial Instruments Market Law and the Policy. If the person referred to in Clauses 15 or 16 of the Policy does not directly indicate which status - the status of a professional or private client - should be assigned to him, the Bank assigns him the status of a professional client. The bank informs the client about the status assigned to him after the application has been evaluated.
22. In order to apply the status of eligible business partner to the person mentioned in Clause 16 of the Policy, the Bank must obtain the consent of this person. Consent may be obtained in relation to the investment services provided in general, individual investment services or individual transactions.
23. If the Bank's potential client is a commercial company registered in another member state equivalent to the commercial companies mentioned in Clause 16 of the Policy, the Bank may apply to it the status of eligible business partner, observing the provisions of the Policy.
24. Only the eligible counterparty status is assigned to cooperation partners of the Bank.

IV Professional Client Status

25. The professional client status is assigned to:
 - 25.1. 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:
 - 25.1.1. credit institutions;
 - 25.1.2. investment brokerage companies;
 - 25.1.3. other licensed or regulated financial institutions;
 - 25.1.4. investment funds and investment management companies;
 - 25.1.5. alternative investment funds and alternative investment fund managers;
 - 25.1.6. insurers;
 - 25.1.7. pension funds and pension fund managers;



- 25.1.8. commodities dealers;
 - 25.1.9. companies that make transactions on their own behalf in 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;
 - 25.1.10. other commercial companies, the basic activities of which is investment into financial instruments and which make bulk investments;
 - 25.2. commercial companies and other legal entities that comply with at least 2 (two) of the 3 (three) requirements referred to below:
 - 25.2.1. own funds are not less than 2 (two) million euro;
 - 25.2.2. net turnover is not less than 40 (forty) million euro;
 - 25.2.3. balance sheet total is not less than 20 (twenty) million euro;
 - 25.3. public institutions that service public debt, national central banks, the World Bank, International Monetary Fund, European Central Bank and other international financial institutions;
 - 25.4. other commercial companies, the basic activities of which is investment into financial instruments, including those engaged in securitization of financial assets or financing of other transactions, and which make bulk investments;
 - 25.5. 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.
26. The Bank is entitled to recognise any client that is not referred to in Clause 25 of the Policy but expressed written request to treat him/ her as a professional client, either generally or in respect of a particular investment service, transaction, type of transaction or product. In this case, the Bank evaluates the client's competence, knowledge and experience based on the Financial and Capital Market Commissions (as of 01.01.2023 – Bank of Latvia) 14.04.2015. guideline no. 59 'Guidelines on the Application of the Provisions of the Financial Instruments Market Law Regulating the Provision of Certain Investment Services' to Guidelines 3, 4, 5 and 6.
27. 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.
28. 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.
29. A professional client can acquire the status of a private client. A professional client who wishes to be granted the status of a private client submits an application to the Bank,



indicating the type of investment service, transaction or product for which he wishes to receive the status of a private client.

30. In order to grant the status of a private client to a professional client, the Bank and the person considered to be a professional client shall enter into a written agreement. Such agreement shall specify the types of investment services, transactions or products to which private client status applies.
31. The Bank shall grant the status of a private client to a professional client in general for all services provided or for certain types of investment services, transactions or products.

V Retail Client Status

32. The retail client status is applicable to the clients who do not comply with the criteria of a professional client or eligible counterparty status.
33. The higher level of protection is applied to retail clients in the following manner:
 - 33.1. applying the Order Execution Policy;
 - 33.2. requesting information from the client enabling the Bank to evaluate the client's knowledge and experience in connection with investment services;
 - 33.3. having evaluated appropriateness of an investment service and ancillary investment service;
 - 33.4. applying the Interest Conflict Prevention Policy;
 - 33.5. supplying clients with detailed information about the Bank as an investment service provider, the offered services and related costs;
 - 33.6. ensuring provision of a report on a transaction in accordance with requirements of the regulatory enactments of the Republic of Latvia.
34. A private client can obtain the status of a professional client in accordance with the procedures specified in the fifth, sixth and seventh parts of Article 124.1 of the Financial Instruments Market Law.

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