



**APPROVED BY:**

The decision of the meeting of the Council of AS "PrivatBank" from 17 January 2022

(minutes No. 1/2022)

**REVIEWED BY:**

The decision of the meeting of the Board of AS "PrivatBank" from 7 December 2021

(minutes No. 79/2021)

**REVIEWED BY:**

The decision of the meeting of AS "PrivatBank" Methodology Committee from 3 December 2021

(minutes No. 54/2021)

## **Conflicts of Interests Management Policy (for Transactions with Financial Instruments) No. 143-25-01**

**Policy comes into effect** upon its approval by the Council.

**Replaced/annulled documents:** Conflicts of Interests Management Policy No. 144-01-08, dated 18.06.2020, Council meeting minutes No. 12/2020.

**The next policy update shall be carried out** upon request of the coordinator, yet, at least once a year.

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## **1. General provisions**

### **1.1. Policy Status**

1.1.1. The Policy is the Bank's primary document for managing Conflicts of interest in the provision of Investment services, and it establishes:

- 1.1.1.1. the subjects, general signs, and causes of Conflicts of Interests;
- 1.1.1.2. the mechanism for the prevention and resolution of Conflicts of Interests;
- 1.1.1.3. other general principles related to the Conflicts of Interests Management.

1.1.2. The Policy (for Transactions with financial instruments) and the Procedure on Interest Conflict Situation Identification and Management (for Transactions with Financial Instruments) are the basis for development of other internal regulatory documents of the Bank related to the Conflicts of interests management, including those related to the provision of Investment Services; they are separated from the Bank's general Conflicts of Interests Management Policy and Procedure on Interest Conflict Situation Identification and Management.

1.1.2.1. This Policy is developed pursuant to:

- The "Credit Institution Law";
- The Financial Instrument Market Law of the Republic of Latvia;
- The Law "On Prevention of Conflict of Interest in Activities of Public Officials"
- The Financial and Capital Market Commission "Regulations on Establishment of the Internal Control Framework";
- The Policy against corruption and restrictions on political activities by the Finance Latvia Association;
- Commission Regulation (EC) No. 1287/2006 regarding Investment and Ancillary Investment Services;
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

### 1.2. Responsibility. Recipients of documentation

**Process coordinator:** Head of Compliance Control Department.

**Responsibility:** this document is binding for all employees of the Bank.

If the Policy execution is impossible, the employee who has discovered this shall immediately notify the head of his structural unit, the process coordinator, who is established in the Policy and the employee of Compliance Control Department, in order to make amendments.

**Recipients of documents:** all employees of the Bank.

### 1.3. The terminology used in the Policy:

Ancillary Investment Services:

- 1) holding financial instruments;
- 2) issue of credits to an investor for transactions with financial instruments, in case the commercial company, which issues the credit, is involved in a transaction with financial instruments;
- 3) advice regarding capital structure, operational strategy and related matters, provision of advice and services regarding mergers of commercial companies and acquisition of undertakings;
- 4) currency exchange services, if related with provision of investment services;
- 5) provision of investment research, financial analysis or other general recommendations regarding transactions with financial instruments;
- 6) provision of services related to initial placement of financial instruments;
- 7) provision of investment services and ancillary investment services, in case it is related to provision of investment services or ancillary investment services;

Bank – AS "PrivatBank";

CCD – Compliance Control Department;

Conflict of interests – a situation when the Bank provides services to the Customer, or when the Bank receives services, and, alongside with the Bank interests, there is vested interest of the Related party / MIFID Affiliate / Employee in connection with provision or non-provision of a service to the Customer or, respectively, to the Bank; a situation, where, during fulfilment of work / official duties, there is a risk of a Conflict of Interests between Employees;

Conflicts of Interests Management – timely statement of conditions for occurrence of Conflict of Interests, identification of Conflict of Interests, use of preventive means and resolution of the Conflict of Interests;

Controlling structural units – departments of the Bank, which carry out internal control functions: Compliance Control Department, Risk Control Department, Internal Audit Department, AML / CTF Department;

Customer – a person to whom the Bank provides financial services;

Employee – an individual, who performs specific work under the Employer's management, based on the employment contract for an agreed work remuneration;

Financial instruments – financial services (instruments) that can be bought and sold on the financial markets: debt securities (bills of exchange, treasury notes, bonds, mortgage bonds, etc.), equities (shares, certificates of investment, etc.), currency and derivative financial instruments (options, futures, etc.), as well as financial services (instruments) that are not traded (deposits, loans, shares in capital companies, insurance contracts, pension fund certificates, etc.);

Gift – a material valuable for which the recipient is not required to pay money. Food, beverages, goods, services and tickets to entertainment / sports / events, seminars, as well as an opportunity to use premises or hotels are considered gifts. 1) flowers; 2) souvenirs, books or representational objects, in case the overall monetary value of souvenirs, books or representational objects received from one and the same person does not exceed 20 EUR - are not considered gifts;

IAD – Internal Audit Department;

Insignificant conflict of interest situation – a conflict of interest situation that is not a Significant conflict of interest situation;

Investment services are:

- 1) acceptance and sending of orders in relation to one or several financial instruments;
- 2) execution of orders on behalf of customers;
- 3) execution of transactions on own account;
- 4) portfolio management;
- 5) investment consultations;
- 6) initial placement of financial instruments, or placement of financial instruments upon undertaking of liabilities to buy out financial instruments;
- 7) placement of financial instruments without undertaking of liabilities to buy out financial instruments;
- 8) DT system organization;
- 9) OT system organization;

MIFID Related Parties – the following persons:

- the Chairman of the Board and the Chairperson of the Council of the Bank, or members of the Board and the Council, or other persons who, by taking material decisions on behalf of the Bank, create civil liability for the Bank;
- the Employee, as well as another individual, who offers Investment Services/Ancillary Investment Services, and who is involved in execution of Investment Services/Ancillary Investment Services and actions of the Bank;
- a spouse, a partner equal to a spouse, dependent children or stepchildren, or another relative of any aforementioned person, with whom the person shares a joint household for at least one year;

Personal transaction – a trade transaction with Financial Instruments carried out by a MIFID Related Party or in favour of that person if at least one of the following criteria applies:

- the transaction is concluded beyond performance of job or professional duties by the MiFID Related Party;
- the transaction is concluded at the expense of the MiFID Related Party;
- the transaction is concluded at the expense of the spouse of the MiFID Related Party, their child, stepdaughter / stepson (the child of the spouse who is not the child of this person) or the relative with whom the MiFID Affiliate had a joint household, for at least one year before implementation of the transaction;
- the transaction is concluded at the expense of another person who is associated with the MIFID Related Party in such a way that the latter has direct or indirect material interest in the outcome of the transaction that is not payment for transaction execution.

Policy – Conflicts of Interests Management Policy;

Procedure – Procedure on Interest Conflict Situation Identification and Management (for Transactions with Financial Instruments).

Qualifying holding – direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking;

Responsible employee – Head of Compliance Control Department;

Significant conflict of interest situation – conflict of interest situation, where the actions of the MiFID Related Party / Related party are in conflict with provisions of the Procedure, or any action of the Employee related to a transaction or activity exceeding the specified threshold of the amount of the Conflict of interest by EUR 1000 (one thousand euro);

Threshold of the scope of a conflict of interest – the amount of the threshold for a conflict of interest situation set in the Procedure.

## 2. Core principles of the Policy

- 2.1. The Bank is aware of the negative impact that situations of Conflict of Interests may have on its profitability and reputation.
- 2.2. The Bank implements the Policy in accordance with requirements of regulatory enactments binding thereto, for the purpose of ensuring timely execution of measures for identification, prevention and control of Conflict of Interests.
- 2.3. The Bank develops and documents the Bank's overall Procedure for managing the Conflicts of interests situations regarding Officials, all Employees of the Bank, Controlling structural units, who ensure timely identification and management of actual or potential Conflicts of interests situations and who define actions for prevention of Conflicts of interests, which may arise between the interests of the relevant persons and the interests of the Bank.
- 2.4. The primary principles of the Policy are applied in management of the Conflicts of Interests which may arise in any area of Bank activities, if a Conflict of Interests has arisen or may arise between the Bank interests and interests of any MIFID Related Party, which is manifested as receipt of any personal benefits by the MIFID Related Party from realization or non-realization of Investment services provided by the Bank / to the Bank (except for remuneration agreed upon with the Bank for work duties performed by this person), or between the interests of the Bank and the Employee, the Customer.
- 2.5. The objective of the Bank's Risk management, Compliance control and administrative functions is to protect the Bank interests while providing Investment services, conducting Personal transactions, investing in Financial instruments, and taking risks. The Employees who fulfil the above-mentioned functions within the course of their work receive confidential information about Customers, the Bank's Financial instrument positions and its operations with them. It is prohibited to misuse this information regarding:
  - 2.5.1. the interests of other Customers of the Bank, including investors – Customers or competitors, and the provision of Investment services to Customers;
  - 2.5.2. the Bank's transaction with Financial instruments (particularly regarding trading on behalf of the Bank or personal transactions of the Bank's employees);
  - 2.5.3. Personal transactions.

## 3. Identification of Conflicts of Interests

- 3.1. The Bank identifies the conditions which cause or may cause a Conflict of Interests, that creates significant threat or harm to the interests of one or more Customers, including for the purpose of preventing occurrence of losses of the Bank, but not limited to the following:
  - 3.1.1. Investment service is provided to the MIFID Related party;
  - 3.1.2. upon provision of the Investment service to the Customer, the Bank and/or the Customer concurrently provide the service to the MIFID Related Party (connection between the Customer and the MIFID Related Party);
  - 3.1.3. upon provision of the Investment service to the Customer, a transaction is concluded, which is directly connected to this service, and one of the parties of which is the MIFID Related Party;
  - 3.1.4. MIFID Related Party directly or indirectly provides the service to the Bank;
  - 3.1.5. there is a risk of a Conflict of Interests occurring between Employees, during fulfilment of work / official duties;
  - 3.1.6. there is a risk of a Conflict of interest between the Bank and the Customer;
  - 3.1.7. there is a risk of a Conflict of interest between the Bank's Customers;
  - 3.1.8. there is a risk of a Conflict of interest between the Bank and the Employee;
  - 3.1.9. there is a risk of a Conflict of interest between the Employee and the Customer.
- 3.2. The procedure for identifying and managing Conflict of interest situations specified in Clause 3.1 of the Policy is stipulated in more detail in the Procedure on Interest Conflict Situation Identification and Management (for Transactions with Financial Instruments).

- 3.3. Before provision/receipt of an Investment service on behalf of the Bank, the Employee is obliged to make sure that there will be no Conflict of interests during provision / receipt of such Investment service. Upon statement of circumstances of a Conflict of interest, the Employee shall act in accordance with the Procedure.
- 3.4. The Bank constantly monitors and updates information on Investment Services and Ancillary Investment Services, and on situations that have caused or may cause a Conflict of interests, as well as that significantly threaten the interests of one or more Customers. The Board of the Bank is informed about the aforementioned situations at least once a year.
- 3.5. Taking into account the nature of the Conflict of interest situation, the Bank shall determine the appropriate action in relation to the Conflict of interest situation and classify it as a Significant Conflict of interest situation or Insignificant Conflict of interest situation.
- 3.6. The Bank documents any identified situation of the Conflict of interests in transactions with Financial instruments regarding the Officials, Employees, Controlling structural units, MIFID Related parties, as well as the management measures, which are envisaged for management or elimination of this situation, in view of significance of the identified situation of the Conflict of interests.
- 3.7. In order to identify the Conflict of Interests and control Personal transactions, the Bank creates and constantly updates the lists of MIFID Related Parties.
- 3.8. In case the organizational or administrative measures, which are determined by the Bank for management of Conflict of Interests, are insufficient for reasonable assurance that the risk of harm to the Customer interests is eliminated, the Bank shall clearly disclose the essence and / or sources of Conflict of Interests to the Customer before initiating provision of relevant Investment or Ancillary Investment Services to the Customer.
- 3.9. The following conditions are not considered to be circumstances of a Conflict of Interest:
  - 3.9.1. provision of an Investment service or Ancillary investment service to the MIFID Related party/Employee as to a regular Customer in accordance with the terms of the standard contract;
  - 3.9.2. provision of an Investment service or Ancillary investment service to the Customer as to a regular Customer in accordance with the terms of the standard contract, if there is a connection between the Employee and the MIFID Related party;
  - 3.9.3. provision of an Investment service or Ancillary investment service to the Customer as to a regular Customer in accordance with standard contract terms, also in cases, when a transaction related to this service is carried out, where one of the transaction parties is the MIFID Related party/Employee;
  - 3.9.4. monitoring is not related to fulfilment of duties by the MIFID Related Party, which does not work in a Controlling structural unit.

#### **4. Identification of Conflicts of Interests while conducting transactions with Financial Instruments**

- 4.1. In order to identify the types of Conflict of Interests that may arise during the provision of Investment and Ancillary Investment Services, the Bank takes into account the situations in which the Bank, the Employee, the MIFID Related party or a person directly or indirectly controlling the Bank:
  - 4.1.1. could profit or prevent financial losses at the expense of the Customer;
  - 4.1.2. is interested in the result of a service provided to the Customer or a transaction carried out on behalf of the Customer which does not meet the interests of the Customer;
  - 4.1.3. is interested in acting in favour of another Customer or a group of Customers;
  - 4.1.4. carries out the same professional activities as the Customer;
  - 4.1.5. receives or will receive remuneration for the service provided to the Customer from another person in the form of money, goods or services, which is not a standard fee;
- 4.2. The Conflict of Interests may arise during transactions with Financial instruments in the following situations:
  - 4.2.1. when the Bank concurrently executes two orders of different Customers regarding transactions with identical Financial Instruments;
  - 4.2.2. when the Bank unjustifiably defines prioritised sequence regarding the Bank concurrent execution of two different orders of the Customers for execution of the same transactions with Financial instruments;

- 4.2.3. when the Bank executes orders of the Customer regarding the same transactions with Financial instruments without fulfilling the relevant submission sequence of orders;
  - 4.2.4. when the Bank executes orders of one or more Customers regarding the purchase/sell of the same Financial instruments, combining the Customer's orders;
  - 4.2.5. when the Bank and the Customer's orders are combined to purchase/sell the same Financial instruments;
  - 4.2.6. when the Bank, Employee or the MIFID Related Party accepts or receives the payment/inducement from third parties, which affects their behaviour in such way, that one or more Customers receives an advantage over other Customers;
  - 4.2.7. when an Employee or a MIFID person related to the Bank has information about transactions of the customer (performed/planned transactions);
  - 4.2.8. while providing portfolio management services, the Bank shall conduct the relocation of the Customer's portfolio assets;
  - 4.2.9. the Financial Instruments, belonging to the Bank, are acquired to the Customer's investment portfolio;
  - 4.2.10. when the Bank acquires the Financial instruments belonging to the Customer and sells them to the Bank, receiving payment for such services;
  - 4.2.11. the Bank carries out transactions in which the Bank or Employees has an interest (concurrently representing the second party of the transaction);
  - 4.2.12. when the Bank offers Financial instruments to Customers on its own expense or when the Customer owns the Financial instruments;
  - 4.2.13. when the Bank, while providing Investment and Ancillary Investment Services, has information about Customer's transaction with Financial instruments (existing/planned transactions);
  - 4.2.14. when the Bank or the Employee providing Ancillary Investment Services, which are related to the provision of Investment Services, acts against Customer interests.
- 4.3. The Bank shall not develop and spread investment research, financial analysis and shall not provide other general recommendations regarding transactions with Financial instruments as well as it shall not provide advice regarding capital structure, operational strategy and related matters, it shall not provide advice and services regarding mergers of commercial companies and the acquisition of undertakings, termination of activities, joint enterprises, rising capital and borrowing funds.
- 4.4. The Bank, in accordance with the Customer's individual authorisation, provide consultations on investing in Financial instruments, as well as on individual management of investment portfolio only on a written contractual basis and in full compliance with its limitations, informing Customers regarding possible Conflict of Interests and offering alternative options in order to respect Customer's interests.

## **5. Measures to prevent a Conflict of Interests**

- 5.1. The Bank prevents the occurrence of circumstances, in which a Conflict of interest arises or may arise, incl. ensures appropriate division of responsibilities between the Bank's Employees and Controlling structural units, MIFID Related Parties.
- 5.2. The Bank ensures that:
  - 5.2.1. the Controlling structural units that carry out activities that arise or may cause a conflict of interest are mutually independent (there are certain information barriers, a distinct organizational subordination exists);
  - 5.2.2. In performing their official duties, Officials, Employees or Controlling structural units shall refrain from adopting decisions on Transactions with Financial instruments or other professional activities in the Bank, in which a Conflict of interest arises or may arise for this Employee, Controlling structural unit or Official.
- 5.3. The Employee refrains from adoption of decisions and from subsequent contract signing on behalf of the Bank in a transaction, in which one party is the Bank, and the second party is the Employee himself/herself or a person to whom the Employee is a MIFID Related Party (to establish the connection, apply the last two sub clauses of the definition of MIFID Related Party), and a Conflict of interest arises or may arise.
- 5.4. If, contrary to what has been established, the Employee does not refrain from adopting a decision during conclusion of a Personal transaction and/or from contract signing on behalf of the Bank, any Employee who states a non-compliance may propose this. If the Employee is an

Official, before adopting a decision on the Personal Transaction of the Bank, the relevant Official shall be obliged to report to the Council / the Board of the Bank that a Conflict of Interests is directly or indirectly arising or may arise.

- 5.5. The Bank shall ensure that the terms of transactions with MIFID Related parties are not more favourable than the terms of similar Bank transactions with persons/Customers, who are not MIFID Related parties, and do not contradict the interests of the Bank and its investors.
- 5.6. The Bank complies with additional requirements for management of situations of Conflicts of Interests regarding Officials specified in the Procedure.
- 5.7. If the Customer has uncertainties or asks additional questions, the Employee shall provide the Customer with explanations regarding the nature of the Investment service or Ancillary investment service, and the results achieved with the help of this service, and shall provide the Customer with detailed explanations about the service provided / offered.
- 5.8. The Customer is provided with complete and objective information about the Investment service or Ancillary investment service. The information provided to the Customer must be accurate, clear, true and not misleading.
- 5.9. The Bank Employees shall not make any gifts to officials and employees of the state and municipal institutions and of capital companies of a public body, and shall take the definition of what is and is not considered a gift, pursuant to the Law "On Prevention of Conflict of Interest in Activities of Public Officials", as a basis.
- 5.10. The Bank Employees undertake to ensure, that all cases, when gifts are made or received, shall not influence objectivity of decision adoption, nor otherwise cause a Conflict of interest.
- 5.11. The Bank clearly discloses the nature of the Conflict of Interests and its possible sources to the Customer, as well as clarifies the principles envisaged by the Bank internal procedures, which are implemented, in order to prevent emergence of a Conflict of Interests and for the settlement of Conflict of Interests in the event of such a conflict in such a way, as not to endanger the Customer's interests and prevent the risk of harm to the Customer's interests. The Bank places the Policy at the Bank website.
- 5.12. The Bank reviews the Customer's report (application) in connection with possible existing Conflict of Interests within the term and in the order established by the Procedure on Issuance of Statements to Customers, and provides the Customer with a reply.
- 5.13. If the circumstances of the occurrence of Conflict of Interests are identified, the Employees of the Bank must act in accordance with this Policy and with the Procedure.

## **6. Activities on prevention of a Conflict of Interests while conducting transactions with financial instruments**

- 6.1. In accordance with its structure and types of Investment and Ancillary Investment Services provided, the Bank:
  - 6.1.1. ensures control over information exchange between MIFID Related Parties, whose activities present a risk of occurrence of a Conflict of Interests, if this information exchange can harm the interests of one or more Customers;
  - 6.1.2. establishes separate supervision over MIFID Related Parties who carry out transactions on behalf of the Customers (provide services to the Customers) or represent the Bank interests, which may come into conflict with Customer interests – records negotiations with Customers, registers terms in the contracts with Customers, in accordance with the Policy on Executing Orders when Providing Investment Services;
  - 6.1.3. excludes direct connection between remuneration paid to MIFID Affiliates and the income they receive from Investment and Ancillary Investment Services;
  - 6.1.4. prevents negative influence of third parties on the provision of Investment and Ancillary Investment Services;
  - 6.1.5. ensures the storage and continuous updating of information on the types of Investment and Ancillary Investment Services which the Bank provides on its behalf and which cause or can cause a Conflict of Interests which significantly affects (threatens) the interests of one or more Customers.
- 6.2. The Employees, whose work obligations are related to the provision of Investment and Ancillary Investment Services to Customers, are obliged to be sure that there is no Conflict of Interests prior to providing Investment and Ancillary Investment Services. Upon statement of the circumstances of occurrence of a Conflict of interest, the Employees shall act in accordance with this Policy and the Procedure.

- 6.3. In order to prevent Conflict of Interests which may arise in connection with the execution of the Customer's order, during implementation of the Policy on Executing Orders when Providing Investment Services, the Bank shall ensure best execution of the Customer's order, insofar as this is possible. However, in case Conflict of interests is inevitable, the Customer's order is executed properly, observing the Customer interests, while the Employee executing the order or providing services to the Customer clearly discloses the nature and/or sources of Conflict of Interests to the Customer.

## **7. Organizational structure of the Bank**

- 7.1. The Bank ensures creation of an internal organizational structure which would minimize the possibility of occurrence of a Conflict of Interests between the Bank, Employees, MIFID Related Parties, the persons, who directly or indirectly control the Bank and the Customer.
- 7.2. The Bank shall establish separate structural units for provision of Investment Services and Ancillary Investment Services, as well as ensure management, internal supervision and audit of these structural units. In order to prevent Conflicts of Interests, the Bank has established separate structural units, the duties of which include:
- 7.2.1. management of the Financial Instruments owned by the Bank;
  - 7.2.2. acceptance and execution of Customer Orders or their transfer for execution;
  - 7.2.3. management of portfolio of assets owned by the Customers and provision of trust operation services;
  - 7.2.4. registration of transactions with Financial instruments and settlements for transactions with Financial instruments.
- 7.3. In the event that the Bank is unable to structurally distinguish the processes specified in clause 7.2, the Bank restricts them functionally and performs minimum activities to limit / avoid the risk of occurrence of Conflict of Interests in accordance with clause 5 of the Policy.
- 7.4. The Bank maintains and constantly updates the List of MIFID Related Parties (MIFID List). The MIFID List is submitted to the CCD.
- 7.5. The Bank maintains the Register of Personal Transactions in accordance with this Policy and the Procedure.

## **8. Implementation of personal transactions**

- 8.1. The CCD, in accordance with the *Procedure on the Creation, Usage and Update of the List of Related Parties and MiFID Affiliates*, shall inform the Employee on granting a "MIFID Related Party" status thereto, when the Bank includes this Employee in the MIFID Related Party List and the Employee fills out a standard questionnaire. The responsible employee of CCD shall inform the MIFID Related Party about limitations defined by the Policy during execution of Personal Transactions.
- 8.2. MIFID Related Parties are prohibited from:
- 8.2.1. concluding a Personal Transaction:
    - 8.2.1.1. on the basis of the internal information which is available to them in connection with execution of their duties,
    - 8.2.1.2. using or improperly disclosing any classified information about the transaction,
    - 8.2.1.3. which contradicts the Policy requirements and other internal regulatory documents of the Bank, required for such transactions;
  - 8.2.2. provision of a third party with recommendation to conclude such transaction with financial instruments, which would qualify as a Personal Transaction for the person who recommended the transaction, except in case when a transaction is recommended during fulfilment of work or professional duties;
  - 8.2.3. disclose information to a third party or express a point of view, if the person disclosing the information knows or should have known that as a result of information disclosure, the third person will either implement or recommend that another person implements such a transaction with financial instruments that upon information disclosure would qualify as own transaction for the person who has disclosed information, or the point of view is expressed during fulfilment of job or professional duties.
- 8.3. MIFID Related Parties can carry out transactions on their own responsibility on any exchange and over-the-counter markets with any Financial instruments and with any trading places, brokers, credit institutions, investment brokerage firms and financial intermediaries.



- 8.3.1. The Bank provides the MIFID Related Parties with recommendations to conclude transactions with Financial Instruments using the Investment Services and Ancillary Investment Services provided by the Bank;
- 8.3.2. MIFID Related Parties are obliged to immediately inform the Bank about the Personal Transactions they conclude;
- 8.3.3. The MIFID Related Party independently transfers information on Personal Transactions, including Personal Transactions carried out in accordance with clause 8.3, to the responsible employee of the Bank, in order to include them in the Personal Transactions Register;
- 8.3.4. In order to prevent Conflicts of Interests in accordance with the Procedure, the Bank observes and controls how MIFID Related Parties comply with the regulatory enactments of the Republic of Latvia, as well as with the internal regulatory documents of the Bank.

## **9. Monitoring system**

- 9.1. In order to prevent conditions for occurrence of a Conflict of Interests and to ensure compliance of activities with the process of Conflict of Interests settlement, which is established by the regulatory documents of the Bank, the decision on service provision by the Bank / receipt of the service necessary to the Bank requires approval of at least two Employees (except transactions which are concluded in accordance with *standard contract terms*, as for a usual Customer).
- 9.2. If the Employee states that Conflict of Interests is inevitable, he/she must act in accordance with this Policy and with the Procedure. If the case of Conflict of Interests does not correspond to that described in the internal regulatory documents of the Bank, that Employee should promptly notify the responsible Employee of the Bank in accordance with the Procedure.
- 9.3. According to the Procedure, the Board ensures that the Heads of the relevant structural units of the Bank hear the Employee out and receive information therefrom regarding necessity of improvements, additions or changes to the process of managing Conflicts of Interests, regarding established cases of non-compliance or violations of regulatory documents governing Conflicts of Interests Management (other Employees), regarding non-compliance of other internal regulatory documents of the Bank with observations defined by Clause 9.2 herein, circumventing subordination defined in the *organizational structure of the Bank*. Any responsible Employee defined by Clause 9.3 herein has the duty to verify received information.
- 9.4. The Board shall ensure that the responsible Employees, who have received information from the identified Employee in accordance with clause 9.2 of the Policy do not disclose the source of information during the inspection, if this could pose a threat to the Employee, exposing him to unreasonable discriminatory or disciplinary measures. The Board monitors and ensures that in case of disclosing the source of the information no discriminating or disciplinary measures are taken in relation to the Employee, who provided information in the order established in clause 9.2 of the Policy.
- 9.5. In order to prevent a Conflict of Interests with a Related Party / a MIFID Related Party, in its internal regulatory documents, the Bank shall define the order, in which compliance of the Employee activities with the Policy and with the regulatory documents related thereto is audited.
- 9.6. At least once a year, the coordinator of the process summarizes the information at his disposal and information previously not summarized on the reports received in accordance with the order established in clause 9.2 of the Policy, having analysed the nature of the reports, the results of the inspections conducted in connection with the report, and the actions taken for Management of the Conflicts of Interests, and provides recommendations to the Board of the Bank on the necessary amendments to the Policy or to related regulatory documents of the Bank.
- 9.7. The responsible employee referred to in clause 9.6 of the Policy, immediately informs the Board of the Bank of the necessary amendments to the Policy or to related internal regulatory documents, if the need for amendments follows from amendments to regulatory enactments binding to the Bank and / or deficiencies are uncovered in the regulatory documents, which regulate the Conflict of Interests situations, and these deficiencies must be eliminated immediately.

## **10. Implementation of the Policy**

- 10.1. In order to implement the Policy in an efficient manner, the Bank develops internal regulatory documents, which define the following:

- 10.1.1. a unified procedure on transactions in which Investment services or Ancillary investment services are directly or indirectly provided/received or as a result of which a Conflict of Interests exists or may arise with the MIFID Related Party/Employee;
- 10.1.2. Procedure on Interest Conflict Situation Identification and Management;
- 10.1.3. Procedure on Defining and Paying Salary to Employees, according to the approved Remuneration Policy for Employees Whose Professional Activities Significantly Affect Bank's Risk Profile.
- 10.1.4. The regulatory documents of the Internal Audit Department shall contain relevant references to the International Standards for the Professional Practice of Internal Auditing and to the Code of Ethics.
- 10.2. **The employees responsible for implementation of the Policy:**
  - 10.2.1. The Council of the Bank approves the Policy and carries out general supervision over its execution.
  - 10.2.2. The Board of the Bank is responsible for:
    - 10.2.2.1. control over Policy implementation;
    - 10.2.2.2. approval of the procedures necessary for the Policy fulfilment;
    - 10.2.2.3. provision of the conditions and financial resources, attraction of qualified employees necessary for the Policy fulfilment.
  - 10.2.3. **The Head of CCD** is responsible for:
    - 10.2.3.1. implementation of the control activities specified in the Policy;
    - 10.2.3.2. Creation / maintaining / update of the List of MIFID Related Parties;
    - 10.2.3.3. timely provision of the MIFID Related Parties with information about its inclusion in the MIFID List;
    - 10.2.3.4. keeping and updating of the Register of Personal Transactions in accordance with Clause 7.5 herein;
    - 10.2.3.5. controlling Personal Transactions in the Bank;
    - 10.2.3.6. informing the Board in accordance with clause 3.3 of the Policy;
    - 10.2.3.7. storage and continuous updating of information on the types of Investment Services and Ancillary Investment Services, which the Bank provides on its behalf and which cause or may cause a Conflict of Interests that significantly threatens (affects in a negative manner) the interests of one or more Customers;
    - 10.2.3.8. compliance with the requirements set out in the Policy regarding the provision of Investment Services and Ancillary Investment Services;
    - 10.2.3.9. updating the Policy at least once a year regarding the provision of Investment Services and Ancillary Investment Services;
  - 10.2.4. **The heads of departments of the Bank** control compliance of actions of their subordinate Employees to the Policy and to the principles of other internal regulatory documents related to the Policy.
  - 10.2.5. During execution of their duties, the **Employees:**
    - 10.2.5.1. comply with the Policy and with other related regulatory documents;
    - 10.2.5.2. immediately notify impossibility of compliance with the Policy, the need to introduce amendments to the Policy and / or to related internal regulatory documents;
    - 10.2.5.3. promptly notify undue compliance or non-compliance with the Policy and / or with related internal regulatory documents on the part of other Employees, as defined by clause 9 of the Policy.
- 10.3. The Internal Audit Department shall carry out independent audits in accordance with the Policy and the activity plan of the Internal Audit Department, which is approved by the Council of the Bank.

## 11. Annexes and related documents

Name	Location	Responsible person
<i>Procedure on Compliance Risk Management</i>	On the internal informational disk of the Bank	Head of Compliance Control Department
<i>Procedure on Interest Conflict Situation Identification and Management (for Transactions with Financial Instruments)</i>		
<i>Operational risk management procedure</i>		Head of Risk Control Department
<i>Remuneration Policy for the Bank employees whose Professional Activity Significantly Affects the Bank's Risk Profile</i>		Head of Human Resources Department

<i>Policy on Executing Orders when Providing Investment Services</i>		Head of Treasury Department
<i>Procedure on Performing Trust Operations</i>		Head of Trust Department
<i>Procedure on the Creation, Usage and Update of the List of Related and MIFID-Related Persons.</i>		Legal Department
<i>General Regulations on Transactions</i>	On the Bank's website	