



CLIENT STATUS POLICY FOR INVESTMENT SERVICES

PO0011

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APPROVED

by Resolution No 7/6/2019 of the Supervisory Board of AS Citadele banka, dated 21 November 2019

ACCEPTED

by Decision No 13/58/2019 of the Management Board of AS Citadele banka, dated 24 October 2019

I **Organizational and administrative provisions**

Owner of the process: Head of Capital markets compliance department

Title of the process: Compliance Risk Management

Monitoring of the document

Version	Effective date	Amendments	Number of pages
1.0	19 June 2010	New document	6
2.0	24 April 2014	General amendments	7
2.1	30 August 2016	Revision of the document	5
3.0	29 November 2017	General amendments	5
3.1	29 November 2018	Technical changes in Clauses 5-11, 13, 18, 19 and 22	4
3.2	21 November 2019	Technical changes in Clauses 11 and 20. Changes in Client definition. The name of the policy specified by adding ancillary services.	6

To recognize void: version 3.1

Purpose of the document

This Policy stipulates provisions for Client categorization for the following services rendered by the Bank in-line with the Financial Instrument Market Law of the Republic of Latvia

- Investment services:
 - orders receipt in relation to one or more FI and their transfer for further execution;
 - execution of orders on behalf of Clients;
 - dealing on own account.
- Ancillary services:
 - safekeeping and administration of FI.
 - foreign exchange services where these are connected to the provision of investment services.

The Policy has been developed in-line with FIML and European Union law requirements. Its purpose is to specify Client categorization rules for the protection of Clients' interests when providing investment services / ancillary services to Clients.

Scope of validity

The policy is binding on (and shall be followed by) all of the Bank's units and foreign branches, including while rendering investment services / ancillary services to the Clients of the Bank.

Terms, acronyms

Bank – AS Citadele banka.

Financial instruments / FI – Scope of financial instruments defined in FIML.

FIML – Financial Instrument Market Law of the Republic of Latvia.

Client – private individual or legal entity (including investment funds, alternative investment funds, state funded pension plans) to whom the Bank is rendering investment services / ancillary services.

Policy – this policy No PO0011 Client Status Policy for Investment services / Ancillary services.



II Body of the document

Client categorization principles

General provisions

1. Prior to the provision of investment services / ancillary services, the Bank assigns status to the Client as a retail client, or professional client, or eligible counterparty, and informs the Client accordingly. The Client gives his / her consent to the assigned status by signing with the Bank an agreement for the provision of investment services / ancillary services.
2. The Bank will typically assign a single status to a Client for all investment services / ancillary services, however in some cases the Bank may choose to treat a Client under a different categorization for particular services, products or transactions.
3. The Client is entitled to request in written form for the Bank to grant him / her another status.

Obligations of the Bank in regard to retail clients

4. The Bank assigns the highest level of investor protection, which is status of a retail client, to any Client who does not meet the criteria of a professional client or an eligible counterparty.
5. By providing investment services / ancillary services to a retail client, the Bank is acting in line with the Order Execution Policy for Investment Services, Policy on the Prevention of Conflict of Interest while rendering Investment Services / Ancillary services, fulfills certain FIML provisions and also assesses the investment services appropriateness to the Client (except when transactions are made with non-complex financial instruments stipulated by FIML).
6. The Bank discloses detailed information on cost and associated charges for providing investment services / ancillary services to its retail clients.
7. If the Bank holds a retail client account that includes positions in leveraged financial instruments (for example, FOREX margin trading), the Bank shall inform the client in cases where the initial value of each instrument depreciates by 10% (ten percent) and thereafter at multiples of 10% (ten percent).
8. The Bank provides its retail clients with key information documents about packaged retail investment products.
9. The Bank does not execute repo deals with retail clients.
10. A retail client has the right to request to change his status to a professional client, even if just for specific investment services, products and transactions or certain transactions.

Obligations of the Bank in regard to professional clients

11. The Bank assigns the Client the status of a professional client, including for specific investment services, products and transactions or for specific transactions to those categories of clients, as specified by provisions of the FIML or comply with FIML requirements.
 - 11.1. Entities which are required to be authorized or regulated to operate in the financial markets in the Republic of Latvia or another country:
 - 11.1.1. credit institutions
 - 11.1.2. investment firms;
 - 11.1.3. other authorized or regulated financial institutions;
 - 11.1.4. investment funds or management companies of such funds;
 - 11.1.5. alternative investment funds or management companies of such funds;
 - 11.1.6. insurance companies;
 - 11.1.7. pension funds and management companies of such funds;
 - 11.1.8. commodity dealers
 - 11.1.9. commercial entities, that perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives, for the sole purpose of hedging positions on derivatives markets, or which deal for the accounts 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 firms is assumed by clearing members of the same markets;
 - 11.1.10. other commercial entities, whose main activity is to invest in FI and are making such investments in large amounts.
 - 11.2. public bodies that manage public debt, Central banks, World Bank, International Monetary Fund, European Central Bank and other international financial institutions;
 - 11.3. other commercial entities, whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financing transactions and are making such investments in large amounts;

- 11.4. a person who is recognized in another country as a professional client in accordance with the procedure that is equivalent to that laid down in FIML;
12. The Bank is entitled to recognize any Client as a professional client, who has expressed the relevant request in writing, if:
 - 12.1. the Bank has assessed the Client's competence, knowledge and expertise, and has acquired evidence that in view of the specific features of the relevant service the Client is able to independently take an investment decision and is aware of inherent risks; and
 - 12.2. the Client meets at least two of the following criteria:
 - 12.2.1. the Client has executed transactions of significant amount in the relevant market - at least 10 (ten) transactions per quarter over the previous four quarters;
 - 12.2.2. the value of the Client's financial instruments including financial resources and financial instruments exceeds 500 000 EUR (five hundred thousand *euro*);
 - 12.2.3. the Client has at least 1 (one) year experience in the financial sector in the position requiring knowledge about transactions that the Client intends to execute or services that the Client intends to receive as a professional client.
13. Before to assigning to the Client a professional client status in-line with Policy specified in Clause 12, the Bank shall in writing notify the Client about investor protection rights that the Client may lose as a professional client. The Client signs in confirmation that he / she has received such warning and is aware of the consequences of losing such rights. A written agreement is entered into regarding the assignment of the status of a professional client.
14. The Client who has been assigned the status of a professional client under Clause 12 hereof shall inform the Bank about any changes in its operation that may have an impact on the Client's compliance with the requirements for the status of a professional client. If the Bank has at its disposal the information that the Client does not meet the requirements for the status of a professional client anymore, the Bank revokes the status of a professional client informing in writing the relevant Client in this regard.
15. By providing investment services / ancillary services to a professional client, the Bank is acting in line with Order Execution Policy for Investment Services and Policy on the Prevention of Conflict of Interest while rendering Investment Services / Ancillary services.
16. The Bank does not assess the appropriateness of investment services / ancillary services provided by the Bank to the professional client as it is assumed that a professional client has the necessary experience and knowledge in order to understand the risks involved in relation to relevant investment service / ancillary service, transaction or product and can financially bear the loss that such investment may cause.
17. The Bank discloses information on cost and associated charges for providing investment services / ancillary services to its professional clients. However, the Bank shall have the right to agree a limited information disclosure under certain circumstances.
18. The Client who is assigned the status of a professional client is not entitled to any compensation as prescribed by the Investor Protection Law of the Republic of Latvia.
19. The professional client may acquire the status of a retail client by submitting a written application to the Bank. The Bank and the Client would enter into a written agreement regarding the change of the Client's status.

Obligations of the Bank in regard to eligible counterparties

20. The Bank assigns the status of the eligible counterparty without written consent to those client categories that comply with FIML requirements:
 - 20.1. investment firms;
 - 20.2. credit institutions;
 - 20.3. insurance companies;
 - 20.4. investment management firms;
 - 20.5. pension funds and management companies of such funds;
 - 20.6. other entities which are required to be authorized or regulated to operate in the financial markets in the European Union or another country;
 - 20.7. public bodies that manage public debt;
 - 20.8. Central banks;
 - 20.9. supranational organizations.
21. Having received a Client's written consent, the Bank may assign to the Client the status of the eligible counterparty, if the Client is:
 - 21.1. a commodity broker;
 - 21.2. commercial entities, that perform investment activities consisting exclusively in dealing on own accounts on markets in financial futures or options or other derivatives for the sole purpose of hedging positions on derivatives markets, or deal for the accounts of other

- members of those markets, or make prices for them and are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets;
- 21.3. other commercial entities, whose main activity is to invest in FI and are making such investments in large amounts;
 - 21.4. commercial entities and other legal entities, which meets at least two of the following criteria:
 - 21.4.1. own funds — at least 2 (two) million euros;
 - 21.4.2. net turnover — at least 40 (forty) million euros;
 - 21.4.3. balance sheet total — at least 20 (twenty) million euros.
 - 21.5. public bodies that manage public debt, Central banks, World Bank, International Monetary Fund, European Central Bank and other international financial institutions.
22. The Bank ensures that, in its relationship with the eligible counterparty, the Bank acts honestly, fairly and professionally and communicates in a way which is fair, clear and not misleading, taking into account the nature of the eligible counterparty and its business.
 23. By providing Investment services to an eligible counterparty, the Bank is acting in line with Policy on the Prevention of Conflict of Interest while rendering Investment Services / Ancillary services.
 24. When performing transactions with an eligible counterparty, the Bank in a manner prescribed by FIML is entitled to disregard the requirements of FIML relating to: Clients' agreements on provision of investment services / ancillary services, information exchange forms related to investment service / ancillary services, the appropriateness of an investment service for interests of Clients, performance of obligations within relationship with the Clients, execution of Client's orders and order execution policy, and achieving best possible execution.
 25. The Client who is assigned the status of an eligible counterparty is not entitled to any compensation as prescribed by the Investor Protection Law of the Republic of Latvia.
 26. The eligible counterparty can request the Bank in writing to change its status to professional client or retail client. After receiving this request, the Bank will assess the conformity of the Client with the requested status. If the request that has been received from the eligible counterparty regarding the status change has no indication of the new status to be assigned, the Bank makes the assessment of the Client and takes a decision regarding assignment of status of professional client.

Monitoring of Policy implementation and revision

27. The Bank develops internal regulations for Policy implementation, which among other things prescribe responsibilities and liability of the Bank's units and employees in determination and monitoring of the Client's status.
28. The Policy shall be regularly updated on at least an annual basis.
29. The Bank will inform Clients about significant amendments to the Policy by publishing the updated Policy on the Bank's web site and by providing it in customer service centres.

III Appendices and binding documents**Appendices:**

30. None.

Binding documents:

31. Financial Instrument Market Law of the Republic of Latvia.
32. Investor Protection Law of the Republic of Latvia.
33. 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 organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.
34. Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs).
35. PO0028 Policy on the Prevention of Conflict of Interest while rendering Investment Services / Ancillary Services.
36. PO0005 Order Execution Policy for Investment Services.