



# POLICY ON THE PREVENTION CONFLICT OF INTEREST WHILE RENDERING INVESTMENT SERVICES / ANCILLARY SERVICES

PO0028

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**APPROVED**

by Resolution No7/6/2019 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 Compliance Division.

**Title of the process:** Compliance risk management.

### **Document control**

Version	Effective date	Amendments	Number of pages
1.0	19 June 2010	New document	6
2.0	4 December 2015	General amendments	7
3.0	29 November 2017	General amendments	11
3.1	29 November 2018	General corrections in line with product governance requirements stipulated by Financial and Capital Market Commission regulation, amendment in clause 45 and added new clause 45.5	13
4.0.	21 November 2019	General amendments, summarizing of arrangements for the prevention and management of Conflict-of-interest situations in a separate table, added provisions concerning conflict of interest mitigation within provision of ancillary services	13

**To recognise void:** version 3.1.

### **Purpose of document**

The objective of the Policy is as follows:

to ensure

- protection of Clients' interests in course of providing Investment services;
- to identify situations that cause or may cause a Conflict of interest, creating a significant threat or injury to the interests of one or several Clients and specify arrangements for the prevention and management of Conflict-of-interest situations;
- to prevent or diminish Conflicts of interest and their adverse effects, which may arise in the course of providing Investment services.

### **Scope of validity**

The Policy refers to all Group entities rendering Investment services as far as this does not contradict to the laws and regulations of the country of domicile of the Group entity.

The Policy does not apply to Switzerland subsidiary of CB Group due to different country legislation requirements.

If required, a Group entity draws up the policy in line with the requirements of the country legislation applicable to the respective Group entity, which shall be approved by the Compliance Sector of the Bank.

If a Group entity is planning to use services of a tied agent, it should obtain the approval of the Compliance Sector of the Bank and introduce respective procedures and measures with the aim to ensure effective supervision of compliance of the professional activity of the tied agent.

If the Group entity takes the respective decision, then as far as practicable, the measures and principles of Conflict of interest identification, prevention and management as outlined in this Policy are applicable to the Group entity engaged in the management of Investment funds and Pension plans.

## **Terms, abbreviations**

Bank – AS Citadele banka.

CBLAM – IPAS 'CBL Asset Management', which is a Group entity.

CBLAM Fund – Fund managed by CBLAM.

CBLAM Pension plan – Pension plan managed by CBLAM.

Client – a legal person or a private individual (incl. Funds, Pension plans) to whom the Group entity is rendering Investment services.

Conflict of interest – circumstances in which several persons are in a position to derive personal benefit from actions or decisions made in their official capacity while rendering Investment services.

Employee - an employee of Group entity or other private individual involved in the provision of Investment services and controlled by Group entity.

FCMC – Financial and Capital Market Commission of the Republic of Latvia.

Financial instruments / FI – financial instruments, as defined in the Financial Instruments Market Law of the Republic of Latvia. This definition refers to the definition of investment product specified in the FCMC Regulation No 139 'Regulation on product governance requirements for investment products' of 28 August 2018.

Group / Group entity – the Bank and its domestic and foreign subsidiaries all together which provide activity of investment services.

Inducements – fees, commission fees, other monetary and non-monetary benefits, which the Group entity is paying or being paid or providing or being provided from the third parties in course of rendering Investment services to the Clients.

Investment advice – the provision of a personal recommendation upon the Client's request or by a Group entity on their own initiative with respect to one or several transactions with the FI, based on assessment of suitability.

Investment fund / Fund – investment fund or alternative investment fund, which has chosen the Bank to perform functions of a custodian bank.

Investment research – within the meaning of this Policy research or other information by which an investment strategy is recommended or suggested directly or indirectly with respect to one or more FI or issuers of FI, including any opinion on the current or future value or future price of such FI, and which is envisaged for the distribution channels or the general public, and with respect to which the following conditions have been fulfilled:

- it is designated as an Investment research or otherwise reflected as an impartial or independent explanation of the matters included in the research;
- it is not a recommendation given to the Client in course of providing Investment advice.

Investment service – investment service or ancillary service provided by any of Group entities.

Pension plan – a state-funded or private pension plan, which has chosen the Bank to perform functions of a custodian bank.

Person discharging managerial responsibilities / PDMR – Group entity's Chairman of the Supervisory Board, Chairman of the Management Board, Members of the Supervisory Board, Members of the Management Board, or other person, who is not a member of bodies referred, but who takes significant decisions on behalf of Group entity creating civil obligations thereto (incl. procura holders).

Personal transaction – transaction with FI, concluded by an Employee / PDMR or on behalf of persons mentioned, if at least one of the following criteria is met:

- the transaction is carried out outside the scope of the professional capacity of an Employee/PDMR;

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- the transaction is carried out for the account of an Employee/PDMR;
- the transaction is carried out for the account of the spouse, dependent child (stepchild) or any other relative of the Employee / PDMR or any other person, who has close relations with the Employee / PDMR or who has shared the household with the Employee / PDMR for at least one year prior the transaction is carried out;
- the transaction is carried out for the account of a person in respect of whom an Employee / PDMR has a direct or indirect material interest in the outcome of the transaction, other than obtaining a fee or commission for the execution of the transaction.

*Policy* – this policy PO0028 'Policy on the Prevention of Conflict of Interest Providing Investment Services / Ancillary Services'.

## II **Body of document**

### ***Main principles of the Policy***

1. The Policy regulates the prevention and management of Conflict of interest that arise in the course of providing Investment services by Group entities. The Policy is drafted in accordance with the requirements of Financial Instrument Market Law of the Republic of Latvia:
  - 1.1. Investment services being rendered by the Bank:
    - 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.
  - 1.2. investment services being rendered by CBLAM:
    - portfolio management;
    - Investment advice.
  - 1.3. ancillary services being rendered by the Bank:
    - safekeeping and administration of FI;
    - foreign exchange services where these are connected to the provision of Investment services.
  - 1.4. ancillary services being rendered by CBLAM:
    - safekeeping and administration of FI only in regard to CBLAM Funds and using for this purpose nominee account in the Bank. The service is provided to eligible counterparties only.
2. The Policy regulates the prevention and management of Conflict of interest arising from the custodian bank tasks conducted by the Bank in regard to Funds, Pension plans and stipulated by the following scope of legal acts of the Republic of Latvia: Law on Investment Management Companies, Law on Alternative Investment Funds and their Managers, Law on State Funded Pensions, Law on Private Pension Funds, Commission Delegated Regulation (EU) 2016/438.
3. The prevention and management of Conflict of interest is performed in view of the following possible situations, where an Employee / PDMR:
  - 3.1. is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;
  - 3.2. 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;
  - 3.3. has a financial or other incentive to favour the interest of another Client or group of Clients over the interests of another particular client;
  - 3.4. carries on the same business as the Client;

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- 3.5. 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 monetary or non-monetary benefits or services, which is not considered as a regular fee for the service;
- 3.6. in regard to CBLAM Funds and CBLAM Pension plans:
  - 3.6.1. has an interest in unreported irregularities to the competent authorities about any kind of breaches in Funds management process with the purpose to avoid bad reputation;
  - 3.6.2. is likely to be interested to avoid use of legal measures against the Bank, that conducts duties of a custodian bank or allow a selection bias in regard to choose of custodian bank;
  - 3.6.3. pays lower attention to custodian bank's solvency or applies lower standard in asset safekeeping.
4. Each Group entity implementing the provisions of the Policy takes into account the scope of services it provides in light of their specific characteristics and features. The Group entity may develop its own respective policy or rules in line with the principles specified in this Policy.
5. Group entities may draw up internal regulations for the purpose of production, dissemination and record keeping of marketing communication within the Investment services area.
6. Group entities may draw up and make publicly available reports and other documents containing information about prevention and management of Conflict-of-interest situations.

## ***Identifying the types of Conflict of interest***

7. In course of Investment services rendering, the following situations of Conflict of interest may arise:
  - 7.1. between a person having direct or indirect control over Group entity and a Client;
  - 7.2. between Clients of the Group;
  - 7.3. between a Client and an Employee / PDMR;
  - 7.4. between the Fund or Pension plan or investors and Group entity;
  - 7.5. between an Employee / PDMR and Group entity;
  - 7.6. between Group entities;
  - 7.7. between a Client and Group entities;
  - 7.8. between investors of the Fund and Group entity;
  - 7.9. in regard to sustainability issues.

## ***Conflict of interest mitigation***

### **General provisions**

8. A Group entity in-line with its size and organization as well as the nature, scale and complexity of its business shall establish, implement and maintain necessary measures to identify and mitigate Conflict of-interest risks that may arise while rendering Investment services.
9. By establishing the procedures and measures for Conflict of interest mitigation, a Group entity shall ensure that they are proportionate to the damage to the interest of the Clients.
10. A Group entity shall establish such an internal organizational structure, which shall reduce the likelihood of Conflict of interest occurring.
11. Group entities' units carrying out activities that may result in Conflict-of-interest situations shall operate independently, administratively, organizationally and functionally separate from each other, if their responsibilities include:



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- 11.1. Clients' FI orders receipt, execution or further transfer for execution;
- 11.2. safekeeping and administration of FI, including custodian bank duties for Funds and Pension plans;
- 11.3. back-office operations;
- 11.4. portfolio management;
- 11.5. management of Funds, Pension plans;
- 11.6. dealing on Group entity own account.
- 12. Employees performing supervisory functions over duties of another Employees or units are not permitted to be involved in the provision of Investments services they supervise.
- 13. Employees providing Investment services or manufacturing of FI possess the necessary knowledge and competence to fulfil their duties. Additionally, the Group entity shall ensure, that only those Employees or persons, who possess the necessary knowledge and competence shall be eligible to provide Investment services or information about FI to Clients.
- 14. If a Group entity is offering FI issued by itself or by another Group entity to its own Clients, clients of the Bank, CBLAM Funds or CBLAM Pension plans, and is unable to manage in an appropriate manner the Conflict-of-interest situations that arise in relation to this type of activity, the Group entity shall consider refraining from engaging in this activity so as to prevent any adverse effects on its Clients.
- 15. If a Group entity, while rendering in the course of providing Investment services, distributes or recommends FI that are not manufactured by itself, then it shall obtain from the manufacturer the information to gain the necessary understanding and knowledge of the FI it intends to distribute or recommend in order to ensure that this FI will be distributed in accordance with the needs, characteristics and objectives of the identified target market. If required, the Group entity shall draw up necessary arrangements that regulate FI distribution.

<b>Conflict - of - interest situations</b>	<b>Arrangements for the prevention and management of Conflict - of- interest situations</b>
An execution of FI orders on behalf of more than one Client at the same time.	<ul style="list-style-type: none"> <li>- Clients' FI orders are executed in terms of Order Execution Policy, which prescribes rules for orders execution process and best possible results achievement.</li> <li>-The Bank shall keep records related to the submission of the order and subsequent execution of the transaction to ensure transaction compliance with Order Execution Policy.</li> </ul>
An Employee / PDMR executes or is planning to execute a Personal transaction with the same FI at the same time as the Client does.	<ul style="list-style-type: none"> <li>-Group entity shall establish appropriate rules governing Personal transactions and prescribing restrictions if necessary.</li> <li>-The Bank shall ensure separate supervision of Personal transactions of those Employees, whose principal functions involve carrying out activities on behalf of, or providing Investment services to Clients, and/or represent interests of Group entity, which may create a Conflict of interest that encourages them to act against the interests of any of the Clients.</li> </ul>
An Employee executes the order of the Client for buy/sell of FI issued by distributed by the	<ul style="list-style-type: none"> <li>-The Bank shall establish appropriate governing measures to remove any direct link between the remuneration and income gained by Employees</li> </ul>



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<b>Conflict - of - interest situations</b>	<b>Arrangements for the prevention and management of Conflict - of- interest situations</b>
Group entity.	<p>whose principal functions involve carrying out activities on behalf of, or providing Investment services to Clients.</p> <p>- An Employee / PDMR is prohibited from providing any opinion in regard to buy / sell transactions with FI issued by the Group entity or any other issuer.</p>
The transactions of the Clients are executed against the Bank's portfolio (i.e. when the Bank itself is a party to the transaction).	<p>- Those Employees, who proceeds with and execute Clients' orders, are not be involved in decision-making in any way related to the proprietary trading activities conducted by the Bank.</p> <p>- The order is executed at the price that reflects the dominating market conditions, and the Bank is considered to be the Client's order execution venue. The Bank informs the Client thereof in the order execution report.</p> <p>- The Bank shall observe provisions of Order Execution Policy, specifying order execution conditions, order execution venues for different FI categories and best execution achievement.</p>
An execution of limit order in relation to debt securities submitted by Client.	<p>- Clients' FI orders are executed in terms of Order Execution Policy, which prescribes rules for orders execution process and best possible results achievement.</p> <p>- The Bank is entitled to retain partly the difference between the limit price and actual execution price (mark-up) upon the condition, that the Client has been informed hereof before the Investment service was provided.</p>
Group entity receives Inducements from the third parties in course of rendering Investment services.	<p>- No Group entity is allowed to receive or pay Inducements from / to third persons in course of rendering Investment services if the Inducements do not enhance the quality of service to the Clients.</p> <p>- Additional arrangements regulating Inducements receipt are stipulated by Clauses 24 - 32 of the Policy</p>
<p>An Employee / PDMR possesses inside information about the financial position of a Client or another inside information, which can impact the value of FI the Client holds.</p> <p>An Employee/PDMR possesses inside information about the executed/planned transactions of the Client.</p>	<p>A Group entity prevents the exchange of information about Investment services provided to the Clients between Employees / PDMRs if such information may harm the interests of the Clients.</p>



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<b>Conflict - of - interest situations</b>	<b>Arrangements for the prevention and management of Conflict - of- interest situations</b>
<p>CBLAM is interested in CBLAM Fund distribution with the aim to increase commissions for the management services that depend on net asset value of the CBLAM Fund.</p>	<ul style="list-style-type: none"> <li>- CBLAM provides portfolio management services in line with Client's investment policy.</li> <li>- In cases where a CBLAM providing portfolio management intends to include Funds in the Client portfolio, Clients shall be informed thereof, as well as of risk related to this FI and about other possible investment alternative.</li> <li>- Employees providing Investment services possess sufficient level of knowledge and competence.</li> </ul>
<p>CBLAM employees are interested in CBLAM Fund distribution.</p>	<p>CBLAM shall establish appropriate governing measures to remove any direct link between the remuneration and income gained by Employees who provide portfolio management services.</p>
<p>Group entity offers to their Clients or Clients having term deposits those FI which are included in the calculation of prudential requirements and issued by Group entity itself.</p>	<ul style="list-style-type: none"> <li>- If the Client initiates the transaction with such FI at his / her / its exclusive initiative, the Group entity provides to the Client additional information explaining the differences between the FI and deposits placed with credit institutions in terms of yield, risk, liquidity and any protection provided in accordance with law.</li> <li>- Group entity avoids offering or distributing to Clients such FI by its own initiative.</li> <li>- In cases where a CBLAM providing portfolio management intends to include in the Client portfolio FI issued by the Group entity, Clients shall be informed thereof, as well as of risk related to this FI and about other possible investment alternative.</li> </ul>
<p>The Bank provides safekeeping and /or brokerage services for Funds, Pension plans, including CBLAM Funds and CBLAM Pension plans.</p> <p>The Bank and CBLAM have an interest in unreported irregularities to the competent authorities about any kind of breaches in Funds / Pension plans management process and are likely interested to avoid use of legal measures against each other with the purpose to prevent damage to Group's interests.</p>	<ul style="list-style-type: none"> <li>- The Bank has functionally and hierarchically separated safekeeping functions from other functions, order execution including.</li> <li>- By providing safekeeping services, the Bank acts honestly, fairly, professionally, independently from CBLAM (or third party Fund / Pension plan management company) and in the interests of Funds, Funds investors and Pension plans solely.</li> <li>- PDMRs of the Bank are prohibited from carrying out PDMRs functions of CBLAM (or third party Fund / Pension plan management company) or to be employed by CBLAM (or third party Fund / Pension plan management company) in another way. The same prohibition goes for PDMRs of CBLAM.</li> <li>- Employees of the Bank engaged in safekeeping services are not employed by CBLAM. Employees of CBLAM engaged in CBLAM Funds, CBLAM</li> </ul>



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<b>Conflict - of - interest situations</b>	<b>Arrangements for the prevention and management of Conflict - of- interest situations</b>
	<p>Pension plans management are not employed by the Bank.</p> <ul style="list-style-type: none"> <li>- PDMRs of the Bank and PDMRs of CBLAM (or third party Fund / Pension plan management company) carry out their function mutually independently.</li> <li>- Employees of the Bank engaged in safekeeping services are prohibited at the same time be engaged in a management body of the Fund / Pension plan management company.</li> <li>- Safekeeping functions and management of Funds and Pension plans are mutually independent processes and carried out in the interest of the Clients solely.</li> <li>- Safekeeping services provided by the Bank and Investment services provided by CBLAM are supervised independently from each other.</li> <li>- By taking decision about choice of custodian bank for CBLAM Funds and state funded pension plans, PDMRs of CBLAM shall ensure evaluation of reputation, price, financial standing and quality of services. A group link, when the entities belong to the same group cannot serve as a single criterion for choice of custodian bank.</li> <li>- The Bank is not allowed to apply lower standards on FI safekeeping and solvency evaluation for CBLAM Funds and CBLAM Pension plans.</li> <li>- An Employee providing safekeeping services for Funds / Pension plans shall not supervise transactions executed by Fund / Pension plan manager if a business, family or other relationship exists between the Employee and the Fund / Pension plan manager.</li> </ul>
<p>In course of portfolio management the funds of the Clients shall be invested in FI issued by the Group entity.</p>	<p>In cases where a CBLAM providing portfolio management intends to include in the Client portfolio FI issued by the Group entity, Clients shall be informed thereof, as well as of risk related to this FI and about other possible investment alternative.</p>
<p>The Group entity manufactures FI.</p>	<p>By manufacturing FI the Group entity shall assess whether the FI shall create a situation where the Clients may be adversely affected if they take:</p> <ul style="list-style-type: none"> <li>- an exposure opposite to the one previously held by a Group entity itself;</li> <li>- an exposure opposite to the one that a Group entity wants to hold after the sale of the FI.</li> </ul> <p>Additional arrangements regulating the manufacturing of FI are drawn up in the Clauses 33 -</p>



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Conflict - of - interest situations	Arrangements for the prevention and management of Conflict - of- interest situations
	34 of the Policy and respective internal legal acts.
A Group entity produces Investment research.	No Group entity produces investment research.
A Group entity receives a third party produced Investment research.	<p>–A Group entity may receive Investment research produced by the third party in return of direct payments by Group entity out of its own resources without applying any additional fees to the Clients. This Investment research may be used for the purposes of Group entity or might be disseminated to particular Clients per their request only.</p> <p>– No receipt of free of charge Investment research is allowed. Group entity is prohibited to claim that the Investment research produced by the third party was produced by Group entity.</p>
Dissemination of Investment research to Clients.	Investment research may be disseminated to particular Client only by written permission of the Client. Before the dissemination of Investment research, Employees other than financial analysts, whose principal functions involve carrying out activities on behalf of Clients, are not permitted to review, amend or provide any comments to Investment research.
Employee / PDMR holds FI issued by entity which is Client of the Group entity.	Group entity shall establish appropriate rules governing Personal transactions with FI and prescribing restrictions if necessary.
Group's entity exercises the inherent voting rights in shareholder meetings of its CBLAM Funds under management.	CBLAM PDMRs engaged in decision making process in shareholders meetings shall adhere to the basic engagement principles, and when making a decision that is material, shall take into account the environmental, social and corporate governance factors. Once per year CBLAM shall publicly disclose information explaining the most important voting decisions.

### Restrictions on undertaking Personal transactions with FI

16. An Employee / PDMR is prohibited from the following:
  - 16.1. undertaking a Personal transaction on the basis of inside information of a Group entity he / she may possess as a result of a normal course of the employment within a Group entity;
  - 16.2. undertaking a Personal transaction by using or inappropriately disclosing confidential information;
  - 16.3. undertaking a Personal transaction, which conflicts or is likely to conflict with the state legislation applicable to a Group entity or with internal rule of a Group entity;
  - 16.4. advising a third party to make a transaction in FI that would be a Personal transaction of the advising person to which the following restrictions apply (except where a transaction has been made by performing job or professional duties):

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- 16.4.1. the transaction is undertaken on the basis of inside information of a Group entity an Employee/PDMR may possess as a result of job or professional duties or on the basis of misuse or improper disclosure of that confidential information;
- 16.4.2. the transaction conflicts with the state legislation applicable to a Group entity or with internal rule of the Group entity;
- 16.4.3. the transaction is undertaken on the basis of misuse information about unexecuted or pending Client orders.
- 16.5. 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 FI that would qualify as a Personal transaction to the person disclosing information and to which the restrictions set out in Clauses 16.4.1, 16.4.3 – of this Policy apply, except where information has been disclosed in the normal course of employment.
17. An Employee / PDMR shall notify the respective Group entity about Personal transactions undertaken according to the rules established by the Group entity.
18. A Group entity may draw up internal rules prescribing a permission to be issued by a Group entity to an Employee / PDMR for the execution of a Personal transaction. If applicable, the permission shall be issued by capital markets compliance officer within the respective Group entity.
19. If in accordance with Clause 18 of this Policy, permission for Personal transaction execution is necessary, the information in regard to issued or rejected permissions shall be duly recorded and kept.
20. Clauses 16 – 19 of this Policy are not applicable in the following cases, where:
  - 20.1. a Personal transaction has been undertaken as part of discretionary portfolio management where there is no prior communication in regard to the transaction between portfolio manager and an Employee / PDMR or any other person on whose behalf the transaction has been undertaken;
  - 20.2. a Personal transaction has been executed with undertakings for collective investments in transferable securities (UCITS) or alternative investment fund units subject to supervision by European Union laws and regulations, which require equal risk allocation among the fund's assets provided that an Employee / PDMR or another person on whose behalf the transaction has been undertaken are not involved in the management of that undertaking.
21. Rules prescribing conditions for Personal transactions of Employees / PDMRs and compliance monitoring thereof are stipulated within PR0311 'Execution and Control of Personal transactions with Financial Instruments' and IN0173 'Performance and Control of Transactions with Financial Instruments issued by AS Citadele banka'.

## Records of Personal transactions with FI

22. A Group entity shall establish and maintain records of Personal transactions.
23. The records of Personal transactions shall contain data about the Personal transaction that have been provided by an Employee / PDMR or revealed during monitoring process.

## Arrangements for the prevention and management of Conflict-of-interest situations in regard to Inducements

24. Clauses 25 – 30 of this Policy are applicable to the Bank. Clauses 31 – 32 of this Policy are applicable to CBLAM provided that CBLAM shall draw up internal procedures to ensure compliance with the requirements in regard to paying or being paid Inducements and

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- information disclosure thereof to Clients. This internal procedure shall be subject to submission to the Compliance Sector of the Bank.
25. The Bank is not permitted to pay / receive Inducements to / from third persons in course of rendering Investment services, except in cases described in Clause 27 of this Policy.
  26. If the Bank intends to pay / receive Inducements to / from third persons in course of rendering Investment services, the Bank shall draw up internal procedure under Clauses 27 – 30 of this Policy to ensure compliance with the requirements in regard to Inducements being paid or received and information disclosure thereof to Clients. This procedure is subject to the approval by the Compliance Sector of the Bank. As long as requirements of this Clause are not fulfilled, it is prohibited to pay or receive any kind of Inducements (including non-monetary and minor non-monetary benefits).
  27. Inducements shall be considered acceptable only if the below requirements set out are met at all times:
    - 27.1. they are justified by the provision of an additional or higher-level service to the Client, proportional to the level of Inducements received;
    - 27.2. they shall not impair Bank's duty to act honestly, fairly and professionally in accordance with the best interests of the Client;
    - 27.3. they do not directly benefit the Bank – the recipient, its shareholders or employees without tangible benefit to the relevant Client;
    - 27.4. they are justified by the provision of an on-going benefit to the relevant Client in relation to an on-going Inducement.
  28. Inducements shall not be considered acceptable if the provision of relevant Investment service to the Client is biased or distorted as a result of Inducement.
  29. The Bank shall disclose to the Client in a full and comprehensive way as prescribed by the applicable law any Inducement received from or paid to third parties in the course of rendering Investment services.
  30. The Bank shall not receive Inducements for routing Client orders to a particular trading venue or execution venue.
  31. CBLAM is prohibited from accepting and retaining third party Inducements in relation to the provision of portfolio management and / or independent Investment advice to Clients. Any fees, commissions or any monetary benefits paid or provided by any third party or a person acting on behalf of a third party are allocated and transferred to each individual Client as soon as practically possible.
  32. CBLAM shall not accept non-monetary benefits that do not qualify as acceptable minor non-monetary benefits in accordance with applicable law.

## **Arrangements for the prevention and management of Conflict-of-interest situations for transactions with FI manufactured by the Group entity**

33. If the FI manufactured by any of the Group entity is intended to be distributed among the Clients, the respective Group entity shall fulfill the following:
  - 33.1. identification at a sufficiently granular level of the potential target market and distribution strategy for each FI, ensuring the proposed transaction fully meets the interests of the Client;
  - 33.2. assessment of the characteristics and risks of the particular FI;
  - 33.3. regular (at least once per year) assessment and revision of offered and recommended FI, with the purpose to evaluate whether FI remains consistent with the identified target market and intended distribution strategy remains appropriate;
  - 33.4. provision of FI distributors with information about relevant FI, including but not limited to information about order submission, information about FI approval process and the target market assessment;

- 33.5. provision of additional information to Clients explaining the differences between the FI and term deposits placed with credit institutions in terms of yield, risk, liquidity and any protection provided in accordance with law.
- 34. A Group entity should implement and further revise procedures regarding the FI approval process and compliance assessment on FI distribution strategy to the target market.

***Final provisions***

- 35. Each Group entity shall establish organizational structure responsible for compliance control over Investment services being provided within the Group entity.
- 36. Once a year, the aforementioned compliance officers submit to the Compliance Sector of the Bank a report about identified and potential Conflict-of-interest situations. If no such situations were detected, the Compliance Sector of the Bank shall be informed hereof accordingly.
- 37. Each employee of the Group entity is obliged to inform his / her direct manager on each identified and / or potential Conflict of interest. Direct manager submits the received information to the respective unit responsible for compliance control over Investment services. The responsible person of this unit forwards the received information to the Compliance Sector of the Bank.
- 38. If reporting to the direct manager in course of Clause 37 of this Policy is not possible or advisable, the employee informs on identified and / or potential Conflict of interest only the unit responsible for compliance control over Investment services. Alternatively, the employee may submit such information in accordance with PO0017 'Code of Ethics' and internal rules determining the application of a disciplinary punishment. This information shall be subject to submission to Compliance Sector of the Bank.
- 39. By receipt of information concerning identified or potential Conflict of interest, the Compliance Sector of the Bank proceeds with the Conflict-of-interest mitigation measures and make aware the Management Board of the Bank hereof.
- 40. If organizational and administrative arrangements established by a Group entity to prevent or manage Conflict of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Clients will be prevented, before the provision of a service Group entity is obliged to make disclosure to the Client. The disclosure shall state and include:
  - 40.1. that the organizational and administrative arrangements established by Group entity to prevent or manage Conflict of interest are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the Client will be prevented;
  - 40.2. specific description of the Conflict of interest that arise in the provision of Investment services to the relevant Client;
  - 40.3. general nature and source of Conflict of interest, as well as the risks to the Client that arise as a result of the Conflict of interest and the steps undertaken to mitigate these risks.
- 41. The information referred to Clause 40 of this Policy shall be provided in a durable medium with clear, fair and accurate information in sufficient detail to enable the Client to take an informed decision with respect to the Investment service in the context of which the Conflict of interest arises.
- 42. Group entities shall keep and regularly update a record of the relevant Investment services carried out by or on behalf of the Group entity in which a Conflict of interest entailing a risk of damage of interests of one or more Clients has arisen or may arise. The Compliance Sector of the Bank shall ensure that the Management Board of the Bank regularly and at least once a year receives written reports on situations referred to in this Clause.

43. The Policy shall be regularly updated on at least annual basis. Group entities regularly (at least on annual basis) shall update their internal procedures regulating management and prevention of Conflict of interest in course of rendering Investment services.
44. The full version of the Policy is available on the web page of the Bank.
45. The breaches of this Policy rules and punishment hereof shall be investigated and applied as per the same procedure as for breach of any other Bank's internal rules in accordance with PO0017 'Code of Ethics' and other internal rules regulating identification and investigation of the breaches of internal rules.
46. Measures on prevention and management of Conflict of interest related to gifts or gratitude are regulated by PO0017 'Code of Ethics'.

### **III Appendices and binding documents**

#### **Appendices:**

47. None.

#### **Binding documents:**

48. Financial Instrument Market Law of the Republic of Latvia.
49. Law on State Funded Pensions of the Republic of Latvia.
50. Law on Investment Management Companies of the Republic of Latvia.
51. Law on Private Pension Funds of the Republic of Latvia.
52. Law on Alternative Investment Funds and their Managers of the Republic of Latvia.
53. 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.
54. Commission Delegated Regulation (EU) 2016/438 of 17 December 2015 supplementing Directive 2009/65/EC of the European Parliament and of the Council with regard to obligations of depositaries.
55. FCMC Regulation No 139 'Regulation on product governance requirements for investment products' of 28 August 2018.
56. PO0017 'Code of Ethics'.
57. PO0029 'Anti - corruption policy'
58. PR0311 'Execution and Control of Personal transactions with Financial Instruments'.
59. IN0173 'Performance and Control of Transactions with Financial Instruments issued by AS Citadele banka'.
60. PO0005 'Order Execution Policy for Investment Services'.
61. PO0036 'Product Governance Policy in Investment Area'.