

POLICY FOR DETERMINING CLIENT STATUS FOR INVESTMENT SERVICES ON THE FINANCIAL INSTRUMENTS MARKET

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1. GENERAL PROVISIONS

- 1.1. The purpose of the Policy for Determining Client Status (hereinafter referred to as the Policy) is to define the principles used by the Bank to determine the statuses stipulated in the applicable legislation for clients who use services provided by the Bank, thereby ensuring protection of clients' interests.
- 1.2. The Policy forms the basis for assigning, reviewing and changing the status of each client.
- 1.3. The Bank shall implement the Policy in accordance with the applicable legislation of the Republic of Latvia, including regulatory enactments of the Financial and Capital Market Commission and the Bank of Latvia, the Bank's strategy and Articles of Association.
- 1.4. The definitions used in the Policy conform to the Law on the Financial Instruments Market.
- 1.5. By implementing its Policy, the Bank shall, within its capabilities, undertake to achieve protection of the client's interests to the highest extent possible during provision of its investment services, and to choose the client's status in accordance with the client's experience, knowledge and the goals they want to achieve by using the Bank's investment services.
- 1.6. At the Bank, measures for granting the client's status shall be implemented by the structural divisions in charge of servicing clients' financial instruments accounts, the investment services compliance officer, the Compliance Control Department, the Brokerage Services Department, the Client Asset Management Department and the Financial Markets Department.

2. GUIDELINES FOR DETERMINING CLIENT STATUS

- 2.1. The Bank shall grant one of the statuses stipulated in the Law on the Financial Instruments Market to the client: **retail client**, **professional client** or **eligible business partner**.
- 2.2. The relevant status shall be granted to the client on the basis of information about their previous experience and knowledge with respect to investment services and financial instruments, an assessment of the client's experience with concluding financial instrument transactions by competent Bank personnel, and if possible, analysis of other indicators of the client's activities and profile in accordance with the requirements of the Law on the Financial Instruments Market.
- 2.3. The Bank shall notify its clients of their status prior to commencing provision of investment services related to financial instruments by using the means of communication available to the clients: by post, at the Bank or via Internet Bank.
- 2.4. In order to control the correspondence of investment service provision to the client's status (of the status to the client's actual operations and profile), the Bank shall monitor the client's transactions with financial instruments on a regular basis. If any signs specified in the applicable legislation identified, the Bank may change the client's status.
- 2.5. The client's status may also be changed upon the client's request, i.e. if the client an application to the Bank. Before the Bank changes the client's status, the Bank reviews whether it is possible to change the client's status and whether the status will meet the requirements of the Law on the Financial Instruments Market.

3. PROCEDURE OF DETERMINING CLIENT STATUS

- 3.1.** In order to ensure that the client is granted the appropriate status, the Bank shall:
 - 3.1.1.** Request information characterising the client's business, experience and knowledge of financial instruments, as well as the goals they want to achieve by using the Bank's investment services. To achieve this, the Bank shall use specially prepared questionnaires or other polling documents;
 - 3.1.2.** Process and analyse information received from the client (as specified in clause 3.1.1), assess suitability of the types of investment services to the interest of the client;
 - 3.1.3.** Grant the relevant status to the client on the basis of results of such analysis;
 - 3.1.4.** Inform the client about the status granted thereto and warn about the investor's right to protection and possible risks in respect to investment services.
- 3.2.** The client shall be entitled to ask that their status should be changed. The Bank shall evaluate the client's application and decide whether to change their status in accordance with clause 3.1 of the Policy and the requirements of the Law on the Financial Instruments Market. If it is impossible to change the client's status under regulatory enactments, the status may not be changed, and the client shall be notified accordingly.
- 3.3.** The status of retail clients may be changed by raising it to the status of a professional client (as a whole or only with respect of certain types of financial instruments) or eligible business partner only in cases pursuant to regulatory enactments. Before the Bank grants the status of a professional client to a retail client, the latter shall be warned in writing about the investor's right to protection that may be withdrawn in the status of a professional client, and the client shall sign the relevant acknowledgement of receipt of such a warning and a confirmation of their awareness of the consequences of such withdrawal of rights. A written agreement on granting professional client status shall be concluded.
- 3.4.** Professional clients may change their status to that of a retail client or an eligible business partner.
- 3.5.** Eligible business partners may change their status to that of a professional client or retail client.
- 3.6.** In cases where the client is granted the status of a professional client, the client may request that they should be serviced as a retail client, and the Bank may agree to ensure protection of the client's interests to a higher extent. Protection of the client's interests to a higher extent shall be ensured in cases where the professional client or the eligible business partner enters into a written agreement with the Bank to the effect that the Bank does not treat the client as a professional client or an eligible business partner but rather as a retail client, in order to allow application of the relevant conditions.
- 3.7.** A client recognised by the Bank as a professional client or an eligible business partner shall supply the Bank with information on any changes in their business that may affect their conformity to the requirements of the relevant status.
- 3.8.** In cases where the Bank receives information that the client no longer meets the requirements for a professional client or an eligible business partner any more, the Bank shall decide to revoke such status and notify the client accordingly in writing.

4. UPDATING THE POLICY

- 4.1.** The Policy shall be updated in accordance with internal control system procedure and in compliance with amendments to applicable legislation.
- 4.2.** The Board of the Bank shall be entitled to make amendments to the Policy and report the amendments made to the Council of the Bank.
- 4.3.** The Council of the Bank shall review the Policy at least once per year, evaluating its relevance, and shall approve it.
- 4.4.** Amendments to the Policy shall be published on the Bank's website and shall take effect from the date of such placement.