

## 1. Definitions of Terms

- Bank* - Joint Stock Company TRASTA KOMERCBANKA
- Policy* - Policy on prevention of conflict of interests in transactions with financial instruments and manipulative transactions with financial instruments
- Financial Instruments* - agreements, which create financial assets to one party and financial liabilities or capital securities to another party and which are specified in the law *On Financial Instrument Market*:
- ✓ transferable securities (shares, bonds, depository certificates and other transferable securities);
  - ✓ investment certificates of investment funds and other transferable securities that confirm participation in investment funds or comparable mutual funds;
  - ✓ money market instruments - short-term (with maturity shorter than 12 months) debt instruments (bonds, certificates of deposit, short-term debt instruments issued by commercial companies) and other instruments that are traded in the money markets;
  - ✓ derivative financial instruments:
    - options, futures, swaps, interest rate futures contracts and any other derivative contracts relating to securities, currencies (foreign exchange services if they are related to the provision of investment services), to interest rates, yields or other derivative instruments, financial indices or financial measures and the conditions of which provide for settlements in cash or other financial instruments;
    - options, futures, swaps, interest rate futures, and any other derivative contracts which are related to goods and the conditions of which provide for settlements in cash or a cash settlement option at a party's choice if it does not involve breach of contract due to default or other termination of contractual relations;
    - options, futures, swaps and any other derivative contracts which are related to goods and the conditions of which provide for settlements with physical delivery of goods if they are traded on a regulated market or multilateral trading system;
    - derivative credit risk transfer instruments;
    - financial contract for differences;
  - ✓ options, futures, swaps, interest rate futures, and any other derivative contracts which are related to climatic changes, freight rates, pollution rights, inflation rate or other official economic statistics and the conditions of which provide for settlements in cash or a cash settlement option at a party's choice if it does not involve a breach of contract due to default or other termination of contractual relations.
- Customer* - An individual or a legal entity to who/to which the Bank renders financial investment services or auxiliary investment services.
- Related Party* - ✓ persons as specified in the ICS document „List of Persons Related to the Bank“ (00S0325).

- ✓ Bank employees, as well as other individuals who are involved in rendering of investment services offered by the Bank and whose activity is controlled by the Bank.
  - ✓ persons involved in rendering of outsource services for Bank's investment services.
- Order* - Expression of Customer's or his/her proxy's will with respect to Financial Instruments (buy, sell, transfer to another account or account of another person, deregister, pledge, etc.) based on which the Bank initiates a transaction with Financial Instruments.
- Personal Transaction* - a transaction in financial instruments, performed by a Related Party for his/her own benefit or a performed transaction for the benefit of the Related Party if at least one of the following criteria is met:
- ✓ the transaction is not performed within the scope of Related Party's job or professional duties;
  - ✓ the transaction is performed for the benefit of the Related Party;
  - ✓ the transaction is performed for the account of Related Party's spouse, child, stepchild or other relative who has had common household with the Related party for at least a year before the transaction;
  - ✓ the transaction is performed on another person's account, who is linked with the Related Person in such a way that the latter has a direct or indirect interest in the outcome of the transaction, other than charges for execution of the transaction.
- Investigation* - Investigation of investment or another information, which the Bank uses to recommend or propose directly or indirectly investment strategy with respect to one or more financial instruments or issuers of financial instruments, including any opinion on such instruments' present or future value or future price, and which is intended for distribution channels or the public, and is marked as investment investigation or otherwise presented as an objective or independent explanation of the issues included in the investigation, and it is not a recommendation given to the customer when advising him/her on investments in financial instruments.
- Conflict of interests* - situation which may arise between the Bank, including its staff, other Related Parties and the Customer, as well as between Bank Customers when interests of those persons collide.

## 2. General Provisions

2.1. The Bank implements this Policy in compliance with the requirements of the law *On Financial Instruments Market* in order to identify and prevent a conflict of interest in transactions with Financial Instruments.

2.2. This Policy contains principal guidelines for identification and prevention of a conflict of interest that may arise during the provision of investment services or auxiliary investment services between the Bank, including its staff, Related Persons and persons who directly or indirectly control the Bank and the Customer or between Customers of the Bank.

### **3. Identification of Conflicts of Interest**

3.1. The Bank identifies situations, which cause or may cause a conflict of interest that poses a serious threat to or impairs interests of one or several Customers, and determines measures to be taken for prevention of a conflict of interest/

3.2. A conflict of interest may occur in the following situations:

3.2.1. when executing Customer's orders and simultaneously performing transactions for one's own account;

3.2.2. when rendering asset management services;

3.2.3. when providing consultations in regard to investment services or auxiliary investment services on the basis of investigation;

3.2.4. when the Bank offers the Customer financial instruments for distribution of which the Bank has concluded a distribution agreement and receives a commission fee.

3.3. The Bank on a regular basis monitors and updates information on those investment services and auxiliary investment services or situations that have caused or may cause a conflict of interest, which poses a serious threat to interests of one or several Customers.

3.4. If organizational or administrative measures chosen by the Bank for management of conflicts of interest are not sufficient to provide complete confidence that the risk of impairment of Customer's interests will be averted, the Bank shall disclose to Customer the essence of the conflict of interest and/or its sources before it starts to render the respective investment service to the Customer.

### **4. Internal Organizational Structure**

4.1. The Bank creates such organizational structure that brings to a minimum the possibility of conflicts of interest between the Bank, including employees and persons who directly or indirectly control the Bank and the Customer, as well as among Bank's Customers.

4.2. The Bank forms separate structural units to provide investment services and auxiliary investment services and ensures the management, internal supervision and auditing of these units. To avoid conflict of interest, the Bank is structurally subdivided into the units whose duties include the following:

4.2.1. management of Financial Instruments owned by the Bank;

4.2.2. acceptance and execution or forwarding for execution of Customers' Orders in regard to transactions with Financial Instruments;

4.2.3. management of Customers' individual investment portfolios and provision of trust services;

4.2.4. posting transactions with Financial Instruments in the accounting system and settlement of payments for said transactions.

4.3. The Bank provides necessary and possible measures to avoid conflicts of interest that may arise between the Bank and its subsidiary.

## **5. Execution of Orders Regarding Transactions with Financial Instruments**

- 5.1. When executing Customer's Orders regarding transactions with Financial Instruments, the Bank ensures the best possible results for the Customer.
- 5.2. The Bank takes all necessary steps to identify any circumstances that cause or can cause conflicts of interest which pose a material threat or impair interests of one or several Customers in the context of specific investment services or auxiliary investment services provided by the Bank or by a third party per Bank's assignment.
- 5.3. The Bank implements the following measures to prevent a conflict of interest:
- 5.3.1. controls on an ongoing basis and prevents exchange of information between Related Persons whose activities have risk of a conflict of interest, if said exchange of information can impair interests of one or several Customers;
- 5.3.2. monitors Related Persons whose main duty is to perform activities on behalf of Customers or render services to Customers, or who represent other interests, including Bank's interests that may come into conflict with Customer's interests;
- 5.3.3. prevents a direct correlation between remuneration and earnings received by Related Parties whose activities are connected with the provision of various investment services, if a conflict of interest may arise in connection with the actions performed during the process of provision of investment services;
- 5.3.4. in accordance with the Bank's internal normative documents, takes necessary steps that eliminate or limit the unwanted influence of third parties on the process of provision of investment services or auxiliary investment services;
- 5.3.5. controls on an ongoing basis and/or prevents simultaneous or consecutive involvement of Related Persons in provision of various investment services or auxiliary investment services if this involvement can impair proper management of the conflict of interest;
- 5.3.6. creates such Bank's internal organizational structure that minimizes the possibility of the occurrence of conflicts of interest.
- 5.4. In order to prevent the possibility of the occurrence of conflicts of interest, the Bank:
- 5.4.1. creates and runs a register where information about transactions performed by Related Parties is recorded;
- 5.4.2. prohibits performing of personal transactions to those employees of the Bank who develop investment research or who are involved in the development of investment research, or who have information about the content of the research which is not publicly available;
- 5.5. If a conflict of interest is unavoidable, the Bank shall execute the Customer's Order by duly observing Customer's interests.

## **7. Personal Transactions**

- 7.1. Related Parties are prohibited from the following:
- to carry out personal transactions using internal information to which the person has access through performing of his/her duties at the Bank;
  - to carry out personal transactions using or disclosing information constituting the secret of the transaction;
  - to carry out a personal transaction that is in conflict with the effective legal provisions of the Republic of Latvia in regard to the requirements imposed on the Bank;
  - to recommend to a third party to carry out a transaction with Financial Instruments which in regard to the person who has recommended it can be qualified as a personal transaction, except

- for the case where the transaction is recommended during the execution of one's work or professional duties;
- to disclose information to a third party or express an opinion, if the person disclosing information knows or should know that as a result of the information disclosure the third party will perform or can recommend to another person to perform a transaction with Financial Instruments which in regard to the person who has recommended it can be qualified as a Personal Transaction, except for the case where the transaction is recommended during the execution of one's work or professional duties;
  - to carry out a transaction with Financial Instruments in regard to which the Bank has developed research, or if the person has information about the content of the investment research which is not available to the public or the Customer, or a conclusion about which cannot be made based on information that is already publicly available insofar as recipients of the research have had a chance to get acquainted with the content of the research and carry out some activities based on the research.
- 7.2. Related Parties are obliged to inform the Bank about their personal transactions that have been carried out.
- 7.3. The Bank controls that Related Parties comply with the requirements set out in the Policy.
- 7.4. The aforesaid conditions do not apply if:
- 7.4.1. a personal transaction is carried out within the individual management of Financial Instruments and no prior contact concerning the transaction was made between the portfolio manager and the Related Person;
- 7.4.2. a personal transaction is carried out based on the certificate of the open investment fund, and the Related Person or another person on whose behalf the transaction is carried out is not involved in the management of the fund.

## **8. Final Provisions**

- 8.1. Providing investment services to the Customer, the Bank is governed by the principle of honesty and fairness in relation to all Customers of the Bank.
- 8.2. The Bank reviews the Policy on a regular basis, at least once a year. Amendments and additions to the Policy are published on the Bank's Internet homepage at [www.tkb.lv](http://www.tkb.lv).

\* \* \* \* \*