

AS DNB banka Client Classification Policy (for transactions with financial instruments)

1. Background

- 1.1 This AS DNB banka Client Classification Policy (for transactions with financial instruments) (hereinafter - the Policy) stipulates the guidelines whereby AS DNB banka (hereinafter referred to as the Bank) performs classification of customers, amendments to the Customer's category and protection of Customers over the course of investment services and/or ancillary investment services provision.
- 1.2. The Policy is implemented under the provisions of:
- The Directive of European Parliament and Council No. 2004/39/EK dated 21 April 2004 (hereinafter referred to as MiFID) and implementation deeds thereof,
 - The Law on Financial Instruments' Market.

2. General provisions

- 2.1 The Customers to whom the Bank renders investment services and/or ancillary investment services may be classified as:
- Eligible counterparty,
 - Professional customer or
 - Retail customer.
- 2.2 Over the course of rendering the investment services and/or ancillary investment services the Bank is obligated to ensure an appropriate protection level for every Customer according to their classification.
- 2.3 The Bank shall inform the Customer on their classification prior to rendering any investment services and/or ancillary investment services.
- 2.4 The Customer is entitled to request reclassification by submitting a respective application to the Bank. The Customer is entitled to request either complete reclassification or reclassification only with regard to some particular type of investment services, types of transactions or specific transaction or product.
- 2.5 Should the Bank approve the request specified in Section 2.4 above on the Customer's reclassification it shall be subject to a separate agreement where the Customer should be informed about the investor protection rights to be acquired or lost as the result of such reclassification.
- 2.6 If the Bank from any source of information receives sound plausible information that the Customer has lost its compliance with the requirements drawn to Professional customer or Eligible counterparty the Bank may revoke the above classification and ascribe the Customer to the group of Retail customers subject to written notice to the Customer.

3. Eligible counterparty

- 3.1 As Eligible counterparties shall be classified:
- 3.1.1 Without receipt of the Customer's written assent:
- Investment brokerage companies,
 - Credit institutions,
 - Insurance companies,
 - Asset management companies,
 - Pension funds or pension fund management companies,
 - Other financial institutions that have obtained licenses and operate by virtue of regulatory enactments of EU member countries applicable to financial services,
 - Persons, whose principal business profile is related to transactions with commodities or derivative commodity instruments at their own expense. This exception does not apply if persons that perform transactions with commodities or derivative commodity instruments at their own expense belong to a group of business entities whose principal business profile is related to provision of other investment services or financial services,
 - Business entities that on the options, futures or derivative instruments markets or markets of underlying assets at their own expense enter into transactions whose sole purpose is hedging of financial risk on derivative instruments market, or at expense of other market participants enter into transactions that are guaranteed and in which case the responsibility for performance of agreements signed by such entities assume the participants of the clearing system within the respective market,

- National governments and other state institutions in charge of public debt,
- Central banks,
- Transnational organizations.

3.1.2 Only subject to the Customer's written assent with regard to the provided investment services in their entirety, individual investment services or individual transactions:

- Commodities dealers;
- Business entities that on the options, futures or derivative instruments markets or markets of underlying assets at their own expense enter into transactions whose sole purpose is hedging of financial risk on derivative instruments market, or at expense of other market participants enter into transactions or form prices that are guaranteed by the participants of the clearing system within the respective market, if in such case the responsibility for performance of agreements signed by such entities assume the participants of the clearing system within the respective market;
- Other business entities whose principal business profile is related to investments in financial instruments and which operate at large scale;
- Business entities than comply with at least two of the following three requirements:
 - a) equity at least the equivalent of EUR 2 million in LVL pursuant to the exchange rate imposed by the Bank of Latvia,
 - b) net turnover — at least the equivalent of EUR 40 million in LVL pursuant to the exchange rate imposed by the Bank of Latvia,
 - c) book value — at least the equivalent of EUR 20 million in LVL pursuant to the exchange rate imposed by the Bank of Latvia;
- Countries and municipalities, state authorities that are in charge of the public debt, central banks, the World Bank, International Monetary Fund, European Central Bank and other international financial institutions.

2.7 Eligible counterparties have basic protection level. Transactions between the Bank and Eligible Counterparties shall be considered cooperation between equal parties.

2.8 When dealing with an Eligible counterparty if the transaction refers to acceptance and processing of financial instruments transaction orders, discharge of financial instruments transaction orders on behalf of the Customer or any third parties, discharge of the financial instruments transaction orders on behalf of the Bank the latter is entitled to abstain from application of the provisions stipulated in Sections 126, 126¹, 126², 128, 128¹, 128² and 128³ of the Law on Financial instruments market.

3.3 Eligible counterparties may request reclassification pursuant to the procedure stipulated in the Policy, thus increasing their protection level. If the Eligible counterparty has not explicitly specified the desirable status the Bank shall classify such counterparty as Professional customer.

4. Professional customers

4.1 As Professional customers shall be classified:

4.1.1 the following institutions that are licensed and supervised to operate on financial markets in the Republic of Latvia or another country:

- Credit institutions;
- Investment brokerage companies;
- Other licensed or regulated financial institutions;
- Investment funds and asset management companies;
- Insurers;
- Pension funds;
- Commodities dealers;
- Business entities that on the options, futures or derivative instruments markets or markets of underlying assets at their own expense enter into transactions whose sole purpose is hedging of financial risk on derivative instruments market, or at expense of other market participants enter into transactions or form prices that are guaranteed by the participants of the clearing system within the respective market, if responsibility for performance of agreements signed by such entities assume the participants of the clearing system within the respective market;
- Other business entities whose principal business profile is related to investments in financial instruments and which operate at large scale;
- Business entities than comply with at least two of the following three requirements:
 - a) equity at least the equivalent of EUR 2 million in LVL pursuant to the exchange rate imposed by the Bank of Latvia;
 - b) net turnover — at least the equivalent of EUR 40 million in LVL pursuant to the exchange rate imposed by the Bank of Latvia,

c) book value — at least the equivalent of EUR 20 million in LVL pursuant to the exchange rate imposed by the Bank of Latvia;

- Countries and municipalities, state authorities that are in charge of the public debt, central banks, the World Bank, International Monetary Fund, European Central Bank and other international financial institutions.
- Other business entities whose principal business profile is investments in financial instruments and which operate at large scale;
- Persons that have been classified as professional customers in another country pursuant to a procedure that is equal to the Bank's procedure.

4.1.2. The Bank is entitled to classify as Professional customer any person not listed in Sub-section 4.1.1 above, yet made the respective request if:

- The Bank has considered the Customer's expertise and obtained the assurance that, taking into account the specific features of the service requested the Customer shall be able to independently make investment-related decisions and is aware of the risk-bearing as well as
- The person complies with at least two of the criteria as follows:
 - a) the person has conducted considerable transactions on the respective market - at least 10 transactions per quarter during the precedent 4 quarters;
 - b) value of the person's financial instruments portfolio that comprises financial assets and financial instruments exceeds the equivalent of EUR 500,000 in LVL pursuant to the rate imposed by the Bank of Latvia;
 - c) The person over at least one year has acquired the experience in a position in financial sector that requires knowledge about transactions and services the person expects to perform or receive as Professional Customer.

4.1 Persons classified as Professional customers under the provisions of 4.1.2 hereof are obligated to provide the Bank with the information on changes occurred in their operational activities that may affect compliance of such persons with the requirements drawn to professional customers.

4.2 To Professional customer is applied medium protection level. The Bank is entitled to assume that a Professional customer has mastered sufficient expertise to assess suitability of the respective investment service, transaction or product as well as their compliance with the customer's interests. The Bank is entitled to assume that the Professional customer is able to independently obtain the information required to make the investment decisions.

4.3 In dealings with Professional customer the Bank shall apply the Orders Execution Policy, the Policy for Prevention of the Conflicts of Interest as well as the provisions of Section 126² of the Law on Financial instruments market.

4.4 Professional customers may ask for their reclassification as either Retail customers or Eligible counterparties pursuant to the procedure specified hereof, thus either increasing or reducing their protection level.

5 Retail customers

5.1 As Retail customers shall be classified all customers that do not comply with the criteria of either Eligible counterparty or Professional customer.

5.2 To Retail customers is applied the highest protection level.

5.3 In dealings with Retail customer the Bank shall apply the Orders Execution Policy, the Policy for Prevention of the Conflicts of Interest as well as the provisions of the Law on Financial instruments market.

5.4 Retail customers may ask for their reclassification as either Professional customers or Eligible counterparties pursuant to the procedure specified hereof, thus reducing their protection level. To obtain the status of Eligible counterparty Retail customer must comply with the Professional customer status criteria as laid fort in Section 4.1.2 hereof.

6 Reconsideration and monitoring of the Policy

6.1 The Bank shall reconsider the Policy and the related organizational documents should there arise any material circumstances that may affect the Bank's ability to apply the Policy pursuant to the provisions of statutory and law requirements, yet at least once a year.

6.2 The Bank shall inform the customers on all material amendments to AS DNB banka Customer Status Identification (Classification) Policy by placing the updated version on the Bank's website: www.dnb.lv and securing its accessibility in all branches.