

Principles for the protection and safekeeping of client's assets

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1. Protection of clients' assets

- 1.1 These principles for the protection and safekeeping of client's assets describe the ways and methods that AS SEB Pank (SEB) uses for safekeeping and protecting clients' assets as well as matters that apply to the protection of clients' assets.

Primarily, the principles describe the protection and safekeeping of the assets that are associated with the investment services and ancillary investment services provided by SEB. For instance, execution of client's transaction order on the regulated securities market, transmitting such order to another bank for execution, managing a securities portfolio, etc. At the same time, safekeeping and administration of securities for the client is a separate ancillary investment service that SEB provides to its clients. As an investment fund depository, SEB follows these principles unless otherwise agreed in the terms and conditions of the particular fund.

SEB has assigned a person responsible for ensuring that SEB fulfils its obligations in protecting its client's securities and money, and who has sufficient skills and competence for this task.

- 1.2 SEB keeps records of the client's securities on securities accounts that have been opened in the SEB banking system in the client's name. A securities account is always tied to the client's current account, as securities transactions are generally accompanied by paying or receiving money.

SEB shall keep the client's securities in a nominee account opened in SEB's name or in a securities account opened in SEB's name, if:

- the securities are registered in foreign countries (e.g., an investment fund unit registered in Luxembourg, an equity traded on the US securities market, etc.),
- securities are registered in the Estonian Register of Securities, which is maintained by the NASDAQ CSD SE, but the client wishes to keep them in SEB's name (e.g., in nominee account),
- securities are not registered in the Estonian Register of Securities, but at some other registrar in Estonia (e.g., a credit institution that keeps an investment fund units' register).

For the sake of clarity, it should be noted that SEB shall not keep securities, including pension fund units, registered in a securities account opened in the client's name in the Estonian Register of Securities. Securities registered in the Estonian Register of Securities are registered directly in the client's name in a securities account opened in the Estonian Register of Securities, and SEB acts as an account administrator, intermediating client data and orders in the Estonian Register of Securities and displaying data from the Estonian Register of Securities to the client. Likewise, SEB shall not keep such investment fund units, the registrar of which it is under the rules of the particular fund.

- 1.3 SEB organises the safekeeping of clients' securities as follows:
 - 1.3.1 SEB shall maintain client data and keep such registers and accounts that allow it, at any time, to immediately and accurately distinguish the client's assets from other clients' assets, and the client's assets from SEB's own assets and do so in a way that such data, registers, and accounting can be used as an audit trail. For this, SEB shall use a system of securities accounts opened in the client's name, the accounts of which reflect the securities belonging to the client and concluded transactions. This allows distinguishing the client's securities kept at a third party from those of SEB and those of the third party;
 - 1.3.2 SEB shall maintain client data and keep such registers and accounts in the aforementioned securities accounts system in a way that it ensures the accuracy of the data and compliance with the securities and money actually kept for the clients, so that these could be used as an audit trail;
 - 1.3.3 SEB shall regularly check the compliance of data reflected in SEB's internal accounting, data and registers systems, incl. the securities accounts system, with the accounting, data and registers of custodians keeping such assets;
 - 1.3.4 SEB shall implement organisational measures to hedge the risk of losing or reducing the client's assets or rights associated with them as a result of the misuse of the assets, fraud, poor administration, inadequate maintenance of the registers, or negligence. Primarily, hedging the risks is about establishing relevant, clear, and up-to-date internal rules, conducting necessary trainings, operating an efficient internal audit system, selecting custodians and other service personnel carefully, and conducting regular audits.
- 1.4 The seclusion of client securities kept by SEB from the assets of SEB is also guaranteed by law. The client's securities, which are kept by SEB, belong to the relevant client and shall not be included in SEB's bankruptcy estate in the case of its insolvency and these cannot be used to satisfy the claims of the creditors of SEB.
- 1.5 In order to comply with these principles for the protection and safekeeping of clients' assets, SEB can use the services of persons belonging to the same group as SEB.
- 1.6 The terms and conditions of services provided by SEB for safekeeping and administering securities have been described in detail in the terms and conditions of SEB securities accounts and transactions available at www.seb.ee/eng/terms-and-conditions or at a branch.
 - 1.6.1 When safekeeping the securities through a foreign based custodian, the legislation of the respective market, different technical solutions and rules established by local market participants should be taken into account. See more about keeping securities through a custodian http://www.seb.ee/files/mifid/SEB_mifid_valiskontohaldurid_eng.pdf.
 - 1.6.2 You also need to consider risks that occur when the securities are kept in an account that includes the assets of many clients (nominee account, etc.) or when, pursuant to the law applied to the safekeeping of securities, the client's securities cannot be distinguished from the securities belonging to the custodian or SEB. Such risks have been described in summary at http://www.seb.ee/files/mifid/SEB_mifid_riskid_yldinfo_eng.pdf.

2. Client's securities

- 2.1 To safekeep securities registered in a foreign country, SEB uses custodians to open a nominee account in its name or in some cases, a customary securities account. The custodian could be a (foreign country's) credit institution, investment firm, or some other financial market participant who, pursuant to the law of the foreign country, is allowed to provide the service of safekeeping of securities.

A nominee account is a special type of securities account that is opened in the name of the service provider, but is used to keep clients' securities. Usually, the nominee account is special because assets kept on the nominee account are not part of the account holder's bankruptcy estate and claims against the account holder cannot be satisfied on account of the securities kept there. Generally, the service provider keeps all of their clients' assets in this same account.

To keep securities in a nominee account and to keep the securities of different clients together in one securities account, the client shall give their consent to SEB when entering into the securities account agreement. Generally, SEB cannot provide the service without the client's consent.
- 2.2 If the securities are kept in accounts opened at the custodian and if Estonian legislation does not apply, the client's rights associated with securities can differ from those set out in Estonian legislation as a result of the legislation applying to such an account.
- 2.3 When keeping securities on an account opened at a custodian, SEB shall adhere to the following principles:
 - 2.3.1 SEB shall operate with sufficient skill, foresight, and care in choosing, determining, and regularly auditing the third person and in keeping such securities. To ensure the third person's reliability, SEB shall regularly audit the reliability of such a person. SEB can use the services of persons belonging to the same group as SEB when selecting and auditing the custodian.

- 2.3.2 When selecting the custodian, SEB shall consider its competence and reputation as well as any legal requirements related to keeping such securities and those which could prejudice the rights of the clients.
- 2.4 SEB keeps securities at a third person only in jurisdictions where specific requirements have been set for keeping securities in someone else's account and supervision is performed over the same, and only at a third person, to whom such requirements are set and over whom such supervision is performed.
- 2.5 For the protection of the client's securities, SEB shall not keep securities at a custodian in such a third country where keeping securities on someone else's account is not regulated (i.e., using a nominee account is impossible), except if:
- 2.5.1 irrespective of the client's classification, the nature of securities or the investment services associated with them requires them to be kept at a third person located in such a third country; or if
- 2.5.2 in a case not stated in sub-clause 2.5.1, the securities are kept in the name of a professional client and the professional client provides SEB, in writing, an agreement to keep such securities at a custodian located in such a third country.
- 2.6 At all times, SEB shall ensure that securities belonging to a client and kept on a nominee account at a custodian can be distinguished from securities that belong to SEB and the custodian. This is achieved with the following measures:
- 2.6.1 SEB shall keep its securities at a custodian separately from the securities belonging to the clients (i.e., in a separate account);
- 2.6.2 In the SEB securities accounts system, each client's securities have been listed separately on a securities account in their name.
- 2.7 In such a country where keeping securities in another person's account is not regulated or where in some cases it is not sufficiently regulated, so that the securities belonging to the client cannot be kept on an account opened for the shared keeping of securities (nominee account, etc.), but the nature of the securities or related investment services demand keeping them in a register of securities or at a custodian in such a country, SEB can, at its discretion, keep the client's securities:
- 2.7.1 on a securities account opened in SEB's name together with the securities belonging to SEB and/or other SEB clients; or
- 2.7.2 on a securities account opened in SEB's name separately from the securities belonging to SEB and other SEB clients; or,
- 2.7.3 on a securities account opened in the client's name, whereby SEB has the right to administer and dispose of such securities account.

In cases described above, pursuant to the law applied to the safekeeping of securities, it may be impossible to distinguish the client's securities from securities belonging to the custodian or SEB in accounts opened at the custodian. In SEB's securities accounts system, accounting and distinguishing between client securities are guaranteed.

In the case of insolvency of the custodian, in such jurisdictions, it may be complicated or even impossible to distinguish securities from the custodian's bankruptcy estate and meeting the client's or SEB's right to demand delivery of securities may depend on the bankruptcy proceedings.

- 2.8 SEB shall keep the client's securities, which have not been registered in the Estonian Register of Securities, but the register of which is kept for example by a credit institution located in Estonia (e.g., an investment fund units' register), on a securities account opened in the respective credit institution. SEB has taken measures to ensure the separation of such securities from SEB's own assets; separation is also referred to in the name of the respective securities account and in the agreement with the respective registrar. SEB keeps the securities of all clients together in such an account and shall not open a separate securities account at the registrar in order to store them separately.
- 2.9 Generally, SEB does not have a separate purpose or intention to use or dispose of the securities stored in the nominee account for the client (e.g., to encumber or transfer in its own, its clients' or in other persons' interests, etc.), but in some cases it may prove to be necessary. It could be necessary in the following cases:
- for the smooth and appropriate settlement of securities traded on the market (mainly equities), intraday borrowing of securities for the interests of other clients may be reasonable, for example, to perform transactions on the same day. Such borrowing is in the general interest of clients, so they could trade on markets actively and operatively.
 - custodians who keep securities in SEB's name, settlement systems, trading venues, central counterparties of transactions, or other related persons can demand the encumbering of assets or accounts associated with the transaction for their own behalf in order to ensure the efficient functioning of the settlement of client transactions. Such practice does not prevent the clients from conducting transactions and is normal on securities markets. This supports the efficient functioning of the markets which, in turn, is in the interest of the clients.

To use and dispose of securities for the previously mentioned purposes, SEB shall also obtain prior consent from the clients. The client gives their consent when entering into a securities account agreement and/or presenting a securities transaction order. Using and disposing of a client's securities is limited by the terms and conditions set out in the consent. SEB implements appropriate measures to prevent the use of clients' securities in its own account or someone else's account without the consent of the client.

SEB shall not earn a profit from the previously described ways of using and disposing of securities, but these are clearly targeted to provide a better service to the clients.

3. Client's money

- 3.1 SEB, as a credit institution, takes money from its clients on a daily basis (e.g., money on current account or deposit) and provides payment services. Thereby, the clients are provided an opportunity to perform cross-border payments, for which accounts opened in SEB's own name in correspondent banks are used. The above places different requirements on SEB as a service provider in terms of the client's money, than applicable to service providers who are, for example, investment firms.
- 3.2 To settle the client's securities transactions, SEB shall use, based on the client's order, funds in the client's current account; SEB shall also transfer money from a securities transaction to the client's current account. The bank has the right to withhold only such fees and costs that have been specified in the terms and conditions. Therefore, to successfully settle transactions, it is important for the client's accounts to always have the necessary quantity of securities or money needed to make the transfers.
- 3.3 Considering that keeping money in current accounts and providing payment services is the main activity of SEB as a bank, several requirements concerning the safekeeping of money are not applicable to SEB. For example:
 - the bank is not obliged to transfer money associated with the client's securities transactions immediately to the central bank or other credit institution or invest it in the units of money market funds;
 - the bank is not obliged to keep such money separately from its own money (e.g., on accounts opened at correspondent banks), the money is in SEB's name;
 - the bank shall deal with the money on the client's current account(s) associated with investment and ancillary investment services in the same way as with the money of all other clients and shall use it, pursuant to law, in its name and account as part of main daily activities.
- 3.4 To ensure the protection of clients' interests, SEB shall strictly adhere to prudential requirements arising from legislation, which have to guarantee SEB's reliability and the protection of the interests of depositors. Additionally, the client's claims against the bank are ensured by the Guarantee Fund's Deposit Guarantee Sectoral Fund to the extent stated in legislation.