

## **Principles for Safe-Keeping and Protecting of Assets of Customers**

### Definitions

"Bank" – Versobank AS;

"Customer" – Customer of Versobank AS;

"Contract" – contract concluded between the Bank and the Customer, based on what, the Bank provides investment service to the Customer;

"Estonian CSD" – Estonian Central Securities Depository;

"Securities Account" – an account opened in the system of the Estonian CSD;

"Custody Account" – a securities account that the Bank has opened in the name of the Customer, in the Bank, for safekeeping the securities of the Customer and concluding transactions with them.

"Customer's Account" – Securities Account and/or Custody Account of the Customer;

"security" – according to the definition of the Securities Market Act.

Upon safekeeping and protecting the assets of the Customer, the Bank shall follow in its activities the Securities Market Act and Credit Institutions Act as well the following principles by the relevant asset classes:

### **Money**

1. The Bank shall use the money of the Customer for its own account in accordance with the Credit Institutions Act § 4 (1) and (2).

### **Securities registered in Estonian CSD**

1. The Bank shall keep the securities of the Customer which are registered with the Estonian CSD in the Securities Account opened in the name of the Customer in the Estonian CSD.

### **Securities not registered in the Estonian CSD**

1. The Bank shall keep the securities of the Customer which are not registered with the Estonian CSD in the Custody Account opened in the name of the Customer in the Bank.
2. Securities in the Custody Account are kept by the Bank in the Securities Account opened in the name of the Bank or in the nominee account with third parties ("Sub-depository"), subject to the conditions established for registration, ownership and safekeeping of relevant securities, taking into account if possible, the intent of the Customer in this respect and by adhering to the legislation of the country of location of the Sub-depository, market practice, requirements of that Sub-depository and a contract concluded with it.

3. Sub-depositories may be persons who act on the basis of the legislation of the European Union or persons that are supervised by a system at least similar to the supervision system that is applied in the European Union, and whose principal activities include the provision of relevant custody services and who, at the judgement of the Bank, have sufficient experience and (market) position for performing the obligations under the contract. A Sub-depository shall be selected by taking into account its experience, reputation, information disclosed with regard to it earlier, including information on behaviour that might damage the interests of Customers. The main selection criteria are:
  - a. Quality of the offered services;
  - b. Information disclosed on the Sub-depository;
  - c. Rates of fees for the provided services.
4. The Bank shall use sufficient diligence upon selecting, appointing and regularly inspecting the Sub-depositories. The Bank does not need the additional acceptance of the Customer for appointing a Sub-depository and the selection shall be made by a resolution of the Management Board of the Bank. The list of Sub-depositories is disclosed on the Bank's website [www.versobank.com](http://www.versobank.com).
5. The Bank shall evaluate the suitability and economic viability of Sub-depositories used for safekeeping securities at least once a year. Should there arise a reason to doubt that securities kept through a particular Sub-depository are no longer sufficiently protected, the Bank shall decide to replace that Sub-depository with another one.
6. The Bank may at its own discretion authorise the Sub-depositories to keep securities with third parties, if this is necessary for providing the service, while such third parties shall be selected on the basis of the principles similar to those used for selecting the Sub-depository.
7. Notwithstanding the person in whose name the securities of the Customer are registered, all rights attached to such securities are the rights of the Customer, also all obligations attached to such securities are the obligations of the Customer. Securities of the Customers shall not be included in the bankruptcy estate of the Bank and they cannot be used to satisfy any claims of creditors of the Bank.
8. The Bank shall have separate records of the class and quantity of securities held by each Customer and shall keep such securities separately from its own assets and the assets of other Customers. This is achieved by making entries to different custody accounts in the accounting system and internal registers of the Bank.
9. The Bank shall fix separately the transactions made with the securities of each Customer, interest and dividends paid on securities, amounts withheld from the Customer and other payments.
10. The Bank shall regularly review compliance of the Bank's internal accounting system and registers with the accounting and data of the Sub-depository. Such review shall be carried out at least once a year, but not less frequently than upon conclusion of

each transaction at the given Sub-depository, which will result in a change in balances.

11. Securities of the same class issued by one issuer, but held by different Customers of the Bank are treated by the Bank as replaceable and the Bank is not required to relate a specific unit of a security of one issuer to a specific Customer. Such securities are understood to be of the same class which, as each individual unit, grant their actual owners exactly the same rights and obligations.
12. The Bank shall forward to the Customer the information, notices and documents related to the securities and the issuer of such securities, which have been supplied to the Bank by the issuer.
13. The Bank is required to exercise the rights attached to the securities of the Customer which are kept on the Customer Account(s) only upon the direct demand of the Customer, on the basis of relevant orders and other necessary documents.
14. Upon the additional issue of securities kept by the Bank on the basis of the contract, where the Customer has the preferential right, due to ownership of a relevant security, to subscribe to and/or acquire a certain quantity of additionally issued securities and it is required to make payments for subscribing for and/or acquiring a certain quantity of additionally issued securities, the Bank shall participate in the subscription for and acquisition of such securities only in the event if the Customer has given to the Bank the corresponding instruction in a timely manner and has transferred to the bank account specified by the Bank or to the settlement account in a timely manner the amount necessary for subscribing for/acquiring the additionally issued securities.
15. The Bank shall transfer the payments made on the securities of the Customer (e.g. payment of dividends and interest and other payments resulting from the ownership of the securities) directly to the Customer's Account within three (3) settlement days as of the receipt of such payment(s) by the Bank. If the Bank or an issuer making such a payment, or a depository intermediating such a payment, a payment agency, etc. is required under the applicable legislation to withhold or pay state and/or local taxes, state fees and other chargers on the payments on the securities or redemption payments, the Bank shall credit the settlement account of the Customer in the amount of the respective net payment.
16. The Bank may use the securities of the Customer for making the financing transactions through the securities if the Customer has given a prior written consent to this effect. The consent of the Customer may be included in the service contract concluded with the Customer and is limited to the conditions specified in the contract.
17. Before the commencement of the provision of the service of keeping securities not registered with the Estonian CSD in the Custody Account, a Framework Contract for Securities Transactions shall be concluded with the Customer, where the Customer shall confirm in writing that (a) he (she) is aware that his (her) securities are kept by the Bank through a foreign Sub-depository, the foreign Sub-depository may have the right to establish encumbrances and/or restrictions of disposal on the securities

or demand their establishment on the aforementioned securities, and the Customer confirms his (her) consent thereto; (b) he (she) is aware that, based on the nature of the securities or the related investment services, the Bank may keep the securities deposited through a foreign Sub-depository in certain events in the securities account opened in the name of the Bank together with the securities held by the Bank and/or other Customers of the Bank, and the Customer confirms his (her) consent thereto.

## **Supervision**

Supervision over compliance with these principles shall be exercised by an independent certified auditor of the Bank, who shall draw up a written report on compliance with these principles once a year in accordance with the Securities Market Act § 88 (7).