

STATUS IDENTIFICATION

Under the Financial Instrument Market Law of the Republic of Latvia (as amended on 25.04.2012)

Approved by the Board of JSC "Rietumu Banka" on 27 April 2012, Minutes No. 16

The status of an **eligible counterparty** may be assigned to an entity, which meets one of the following parameters:

- a credit institution;
- an investment brokerage company;
- an insurance company;
- an investment management company;
- a pension fund and its management company;
- other licensed financial institution, which operates under and in compliance with EU laws and regulations governing financial services;
- a person who carries out proprietary trading with commodities or commodity derivatives (trade dealer);
- a company, which carries out proprietary trading in options, futures and other financial derivatives markets or in the markets of the underlying asset of derivative financial instruments, if the sole objective of the company is to limit financial risks on the markets of derivative financial instruments; or a company, which carries out transactions on behalf of other participants of such markets and is guaranteed by the participants responsible for settlements on such markets, if the participants of the markets responsible for settlements on such markets are responsible for the securing of the concluded agreements.

The status of an eligible counterparty entails certain limitations on the level of regulatory protection, which is guaranteed to private and professional clients. In particular, with regard to an eligible counterparty:

1. The Bank is not required to adhere to the condition of obtaining the best possible result for the client when executing an order.
2. The Bank is not required to provide information about:
 - the Bank's investment services;
 - financial instruments and investment strategies that are offered, the risks related to such investment strategies and investments in financial instruments;
 - execution venues;
 - the costs and associated charges, as well as the fees that the Bank receives from third parties;
 - the execution of the client's orders and the services that are provided.
3. The Bank is not required to analyse the appropriateness and suitability of investment services to the client's interests.

The status of a **professional client** may be assigned to an entity, which meets one of the following parameters:

- 1) One of the types of the companies specified below, which holds a licence to conduct transactions on financial markets and is supervised by a competent authority in the Republic of Latvia or other countries:
 - a credit institution;
 - an investment brokerage company;
 - other licensed and regulated financial institution;
 - an investment fund or an investment management company;
 - an insurance company;
 - a pension fund;
 - a trade dealer;
 - a company, which carries out proprietary trading in options, futures and other financial derivatives markets or in the markets of the underlying asset of derivative financial instruments, if the sole objective of the company is to limit financial risks on the markets of derivative financial instruments; or a company, which carries out transactions on behalf of other participants of such markets or is a market maker and is guaranteed by the participants responsible for settlements on such markets, if the participants of the markets responsible for settlements on such markets are responsible for the securing of the concluded agreements;
 - other company, whose principal activity is investing in financial instruments and it carries out such investments in large quantities.
- 2) Any person who has manifested its willingness to become a professional client and whose expertise and experience has been analysed by the Bank, if at least two of the following criteria are met:
 - the client has carried out at least 10 significant transactions on financial markets per quarter over the previous four quarters (where a significant transaction is a transaction involving at least 50 000 EUR);
 - the value of the client's portfolio of financial instruments, which includes financial instruments and cash deposits, exceeds 500 000 EUR;
 - at least 1 year of professional experience in the financial sector, holding an office, which requires expertise in transactions and services on financial markets.
- 3) A company, which meets at least two of the following three parameters:
 - shareholders' equity of at least 2 million EUR in LVL equivalent at the exchange rate of the Bank of Latvia;
 - net turnover of at least 40 million EUR in LVL equivalent at the exchange rate of the Bank of Latvia;
 - balance sheet total of at least 20 million EUR in LVL equivalent at the exchange rate of the Bank of Latvia.

- 4) A country, a local government, or a public institution that services public debt, a national central bank, the World Bank, the International Monetary Fund, the European Central Bank or another international financial institution.
- 5) A company whose principal activity is investing in financial instruments and it carries out such investments in large quantities.
- 6) A person recognised as a professional client in another country.

The status of a professional client entails certain limitations on the level of regulatory protection, which is guaranteed to private clients. In particular, with regard to a professional client:

1. The Bank is not required to provide information about:
 - the Bank and its services;
 - the costs and charges related to the provision of services to the client, as well as the fees that the Bank receives in the course of the provision of such services.
2. The Bank is not required to analyse the appropriateness and suitability of the services that the client receives from the Bank to the client's interests; nor is the Bank expected to inform the client about the possible risks related to the specific service or financial instrument, because it is assumed that a professional client possesses sufficient expertise and experience to be able to evaluate such risks without assistance.
3. In order to obtain the best possible results when executing orders for transactions with financial instruments submitted by a professional client, the Bank will first of all consider the speed and precision of the execution of the order, the price will not be the primary factor in this case.
4. The Bank is not required to inform a professional client of any significant complications that arise in the course of the execution of an order submitted by that client.