



Safeguarding Policy for Financial Instruments

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1. INTRODUCTION

This document sets out the Safeguarding Policy for Financial Instruments (hereinafter the "Policy") of Andorra Banc Agricol Reig, S.A. (hereinafter referred to as the "Bank" or "Andbank") which aims to establish the Bank's procedures and measures to protect the financial instruments entrusted to them by their clients and to prevent their misuse.

2. SCOPE

SUBJECTIVE SCOPE OF APPLICATION

This Policy is applicable and obligatory for the Bank, as an authorised institution for the provision of investment and/or auxiliary services, as well as for all professionals and employees of the Bank who carry out activities directly and indirectly related to the provision of investment and/or ancillary services including the external agents and collaborators of the Bank, including the members of the Board of Directors.

OBJECTIVE SCOPE OF APPLICATION

This Policy shall apply in the provision of investment services to protect and safeguard financial instruments, whether they are physical securities or book entries.

3. LEGAL FRAMEWORK

The legal framework to which this policy conforms is as follows:

- Llei 8/2013, del 9 de maig, sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera (Law 8/2013, of 9 May, on the organisational requirements and operating conditions of operational entities in the financial system, investor protection, market abuse and financial guarantee agreements).
- Llei 17/2019, del 15 de febrer, de modificació de la Llei 8/2013 (Law 17/2019, of 15 February, amending Law 8/2013).
- Reglament de desenvolupament de la Llei 8/2013, del 9 de maig, sobre els requisits organitzatius i les condicions de funcionament de les entitats operatives del sistema financer, la protecció de l'inversor, l'abús de mercat i els acords de garantia financera (Regulation implementing Law 8/2013, of 9 May, on the organisational requirements and operating conditions of operational entities in the financial system, investor protection, market abuse and financial guarantee agreements).

4. DESCRIPTION

Basic Principles

The following basic principles shall apply to the safeguarding of the financial instruments entrusted to them by their clients:

- **Distinction between own assets and those of clients:** the Bank has established, with respect to client assets, a structure of accounts that enables it to differentiate the financial instruments on behalf of the client from the rest of the clients or from the Bank's own assets, by means of identification through specific account codes, to which the assets acquired by the client are assigned, from the time they are contracted, so that the information is broken down at client level. Likewise, the Bank has a record of clients.
- **Ensuring accuracy and consistency between information in client accounts and records and the financial instruments held by them:** the Bank regularly reconciles information in its records and accounts with information obtained from the custodian or settlement entities.

- **Ensuring that client instruments deposited with the custodian, if any, are distinguished from the custodian's financial instruments and from the institution's own financial instruments, and ensuring that client funds are recorded by the custodian in an account or accounts other than those in which the funds belonging to the Bank are recorded.** The Bank shall require the custodian to use a different account name in its records and, if this is not possible, the Bank shall require measures similar to those applied by the Bank for possible reconciliation of records.
- **Establishment of organisational measures** aimed at continuous monitoring to minimise the risk of loss or decrease in the value of client assets, as a result of misuse of assets, fraud, poor management, inadequate record keeping or negligence.

Reconciliation

The Bank ensures the accuracy of the internal records of financial instruments owned by clients with respect to third parties, carrying out reconciliation processes with the necessary frequency. The performance of these reconciliation processes is recorded in documents and digitally.

In the event where there are discrepancies between the two items of information, the origin of the discrepancy must be investigated and appropriate measures taken to reverse the discrepancy.

Specific guidelines in the case of subcustody

The Bank may deposit financial instruments that it holds on behalf of its clients in accounts opened with a third party (custodian).

A biannual review of the selected custodians will be conducted to ensure that the factors that led to their selection continue to be met. This review will be conducted by the Operations Department and will follow the criteria of proportionality.

In the selection of custodians, the Bank and specifically the Operations Department shall act with due care, competence and diligence and shall take into account the following factors:

- The experience and prestige in the market
- The requirements and market practices related to the ownership of such assets that may adversely affect the client and his or her rights.
- The custodian's internal procedures for safeguarding financial instruments to be selected. These procedures may not conflict with those of the Bank and the custodian must disclose any changes or modifications to these procedures to the Bank as soon as they occur.
- Not to deposit client financial instruments with companies in third countries that are not subject to country-specific regulation and supervision of the ownership and custody of financial instruments.
- Not to deposit financial instruments in countries which do not regulate the safeguarding of financial instruments on behalf of another person, unless the nature of the instrument requires it to be deposited with that Third Party, or in cases where a professional client expressly requests it in writing.
- The cost of subcustody and additional services to the custody provided by the institution (issuance of tax certificates, resolution of incidents in the reconciliations, etc.).
- Other factors to be considered, e.g. the institution's rating, etc.

The agreement with the custodian shall include an express reference that the custodian holds fully identified client records and accounts separate from the institution's and the clients' positions.

The approval of the custodian will be made by the Assets and Liabilities Committee after a report on it has been prepared by the Operations Department.

Global or omnibus accounts

In accordance with the Technical Communication of INAF No. 186/08 on Global or Omnibus Accounts, and in line with the premises set out in Communication No. 163/05 concerning ethical standards and standards of

conduct of the financial system, the Bank has appropriate measures to protect the rights of its clients over financial instruments and funds, avoiding their improper use and establishing records which enable the assets of each client and its own assets to be distinguished.

With respect to the constitution of global or omnibus accounts, these accounts may only be constituted in the name of entities authorised to operate in the Andorran financial system, provided that the ownership of these accounts may in no case lead to confusion as to the fact that they belong to clients and not to the institution which has constituted the account.

In any case, the Bank maintains all the necessary records and accounts so that it is possible, at any time and without delay, to distinguish the assets of each client as well as those of the Bank itself, carrying out the corresponding reconciliation processes between the bank accounts created and internal records.

Use of clients' financial instruments

The Bank, in accordance with Andorran regulations, will not use the financial instruments held in the Bank's custody for its own account or for the account of another client unless express consent is obtained and restricted to the conditions specified and accepted by the client. Therefore, financial transactions are based only on instructions given by clients or by mandatory corporate actions.

The Bank shall take appropriate measures to prevent the unauthorised use of clients' financial instruments for its own account or for the account of any other person:

- The conclusion of agreements with clients on the measures to be taken by the Bank in the event that the client does not have sufficient funds in his or her account on the settlement date, such as borrowing the corresponding securities on the client's behalf or the closing of the position;
- Close monitoring by the Bank of its expected delivery capacity on the settlement date and implementation of corrective action if it is unable to make such delivery; and
- Close monitoring and prompt ordering of undelivered securities pending on and after settlement date.

Communication to clients of relevant safeguarding aspects

The Bank will make available to clients, at least through its website, the most relevant aspects of this Standard.