

Policy

LUX-POL-021

Safeguarding of Clients' Financial Instruments and Funds



Version	Approval Date	Responsible Areas	Approval
2.7	15/09/2026	Operations	Management Committee
	17/09/2026		Board of Directors

LOCATIONS SCOPE	AND	BAH	BRA	ESP	ISR	LUX	MEX	MIA	MON	PAN	SWI	URU	IRL
						X							

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SAFEGUARDING OF CLIENTS' FINANCIAL INSTRUMENTS

Content

1. INTRODUCTION.....	3
2. SCOPE OF APPLICATION	3
3. MAIN MEASURES WITH REGARD TO THE PROTECTION OF THE CLIENT'S ASSETS	4
4. SUB-DEPOSITS ARRANGEMENTS	7
5. PROVIDING CLIENTS WITH INFORMATION ON SAFEGUARDING	10
6. POLICY APPROVAL AND REVIEW.....	11
7. DOCUMENT TRACKING.....	12
8. APPENDIX I: APPENDIX I - DUE DILIGENCE QUESTIONNAIRE	13
9. APPENDIX II: APPENDIX II - DDQ- CRITERIA.....	13
10. APPENDIX III: APPENDIX III - DDQ- REPORT.....	13

1. INTRODUCTION

Andbank Luxembourg (the “Bank”) has developed its best practices in order to meet the requirements established by the Market in Financial Instrument Directive 2014/65/UE of the European Parliament and of the Council of 15 May 2014 (the “MIFID II Directive”).

The protection of Client’s financial instruments and funds is an important part of the MiFID 2 regime. MIFID II Directive includes a series of obligations of application to those entities that provide investment services in relation to the information that these entities must provide to their clients, including policies relating to safeguarding the financial instruments and funds belonging to clients (“Client’s Assets”).

Thus, in the preparation of this Safeguarding of Client’s Asset Policy (“Policy”), the following regulatory sources have been considered:

- MIFID II Directive;
- Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU (“Delegated Directive”) with regards to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits;
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/UE (“Delegated Regulation”) as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
- Luxembourg law of 30 May 2018 on markets in financial instruments (the “Law”) implementing the MIFID II Directive;
- Grand-ducal Regulation of 30 May 2018 relating to the safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (the “Grand-ducal Regulation”), implementing the Delegated Directive;
- In implementing the above, the Law notably amends in such context quite substantially the Luxembourg law of 5 April 1993 of the financial sector, as amended from time to time (“PSF Law”), in relation to provisions of MIFID II which strengthen investor protection such as the more stringent rules regarding organizational requirements, inducements and research but also replaces the law of 13 July 2007 on markets in financial instruments, as amended. The Grand-Ducal Regulation replaces the grand-ducal regulation of 13 July 2007 on organizational requirements and rules of conduct in the financial sector.

The above provisions are collectively referred to as the “Applicable Regulations” in the present Policy.

By application of the Applicable Regulations, the Bank is committed to ensuring that the funds and financial instruments owned by its clients are properly segregated and have an optimal level of protection.

2. SCOPE OF APPLICATION

2.1. To whom does it apply

The Bank and the Group must apply and comply with this Policy, as a credit institution authorised to provide investment and/or ancillary services. The same applies to a director, partner or equivalent, manager or tied agent of the Bank, an employee of the Bank as well as any other natural person whose services are placed at the disposal and under the control of the Bank, a natural person who is directly involved in the provision of services to the Bank or to its tied agent under an outsourcing arrangement for the purpose of the provision by the Bank of investments services and activities.

2.2. What does it cover

The aim of this Policy is to describe the main measures adopted by the entire Andbank Bank group (the "Group") to ensure the protection of the ownership rights of assets received from clients, financial instruments and funds (the "Assets"), in particular if the Bank becomes insolvent, avoid improper use of same and be aware promptly at all times of the position of Assets and the current operations of each client.

The measures developed in the present Policy with respect to the protection of the rights of property of the Clients are limited to the financial instruments and Client's funds entrusted to the Bank in the framework of the provision of investment and ancillary services.

3. MAIN MEASURES WITH REGARD TO THE PROTECTION OF THE CLIENT'S ASSETS

3.1. Distinction between own assets and Assets of the Clients

The Bank, in its IT system, has a securities account structure which differentiates between its own financial instruments and client's Assets and, within the latter, it identifies the Assets owned by each one (represented by book entries or physical titles).

In order to guarantee such distinction, the Bank guarantees that Assets are deposited in global accounts or omnibus (of cash or securities respectively) separated from those which are deposited for the Bank.

The Bank will review, prior to the opening of the omnibus accounts, that the following requirements are met:

- a) That exists a total separation between the positions of the Bank and the one that belongs to the Client
- b) That exists procedures implemented with the aim to ensure the individualization of the position of every Client
- c) That in the beginning of the commercial relation with the Client, the Bank has informed the same Client about the possibility of operating across omnibus or global accounts, of the inherent risks and of the identification of the entity that operates depositary of the account omnibus or globally

The criteria used to determine whether a service is outsourced or not are contained in the Bank's Outsourcing Policy.

3.2. Records of Financial Instruments

In order to prove the distinction indicated in paragraph 3.1, the Bank relies on a structure of records and necessary account that allow, in every moment and without delay, to make the difference between the assets of a client and the assets of other clients and of its own assets. This structure guarantees the accuracy and especially the correspondence with the securities, the financial instruments and the cash of the client. The information contained in the Record of Financial Instruments shall be updated regularly and with a sufficient periodicity in order to use such information in the reports of audit.

The Bank has internal records of the global or omnibus accounts, which disclose the identity of all the clients by account and risk on behalf of which the Bank carries out operations through this type of accounts. In addition, the Bank has an account opened which includes the financial instruments negotiated for its own portfolio.

Should the Client's Financial Instruments have settled on accounts of third entities, the entity guarantees that the third entity relies on an account structure that allows the identification for the Bank of each one of its clients and that relies on a record of assets that grants the same conditions of protection requested by the Bank.

Should the Clients' instruments be deposited with a sub-custodian, the Bank shall guarantee that, in turn, it can be distinguished from the financial instruments of the sub-custodian and from the Institution's proprietary financial instruments and guarantee that client funds are booked by the sub-custodian in a separate account or accounts from those used to book the Institution's own funds; the Bank shall ask the sub-custodian to use an account naming convention that differs from what is used for its own books, and where this is not possible it shall ask it to take similar measures to those taken by the Bank to reconcile the records.

3.3. Account Reconciliation

The Bank guarantees the accuracy of the Record of Financial Instruments owned by its Clients and performs the reconciliation processes described below:

- Information supplied by the custodian or sub-custodian, usually movement files detailing entries in the cash and security accounts belonging to each client. A tool shall be used for this purpose that will make it possible to reconcile Swift MT950 (cash) and Swift MT535 (securities) type messages.
- Certificate provided by the sub-custodian detailing the client's position.
- Information on transactions pending settlement from the intermediary/settling institution.
- Information from the counterparty entity, in the case of OTC transactions, regarding the outstanding transaction amounts.
- reconciliations are performed weekly and monthly for securities;
- Reconciliations are performed daily and monthly for cash.

Where there are discrepancies between both sources of information, the origin will be investigated.

The Middle Office and Finance Department carry out the reconciliations. These reconciliations are documented.

Similarly, the Internal Audit Department carries out regular audits in line with the Audit Plan.

The annual External Audit includes those reconciliations in its review, requesting the sub custodians and the central depository to provide information for each account opened in the name of the Institution.

3.4. Special principles and procedures governing the use of omnibus accounts

With respect to "omnibus" accounts, the Bank shall ensure that, prior to opening global accounts with Clients' positions, the following requirements have been satisfied:

- There is a prior report from the Compliance Department on the credit rating of the financial institution at which the Institution is opening a global account and on the specific, legal and operational risks regarding the use of global accounts.

- The report of the Compliance Department has been approved by the Institution's Board of Directors.
- There is absolute separation between the positions held for own account (if any) and those held for the client's account, such that positions held by the Institution and by its clients are never booked in the same account. The name of the global account should expressly reflect that the "account is held on behalf of third parties".
- Internal procedures are in place to separate the position of each client in the books.
- When working with clients for the first time, they have been informed of the possibility to use global accounts being and of the risks such a practice entails and of the identity and credit rating of the financial institution acting as custodian of the global account.

3.5. Specific principles and procedures governing the use of Clients' Assets

The Bank, in compliance with Applicable Regulations does not use the Assets it holds on account of its clients for operations to finance its activity on its own account and therefore all and any transactions involving financial instruments and funds originate solely from clients' instructions.

In the event the Bank shall reconsider this approach, it would have to satisfy the following requirements:

- The need to obtain the express consent of the client as to the use of his/her/its instruments, and to abide by the conditions stipulated and approved by the client by means of its signature or any other equivalent mean regarding the use of the financial instruments
- The use of the financial instruments and funds has to be limited to the specific conditions agreed with the client in accordance with the above paragraph
- The need to have systems and controls that guarantee that the instruments will only be used in accordance with clients' instructions
- The need to maintain a log of the transactions executed with client funds, including the client details and the instructions given by him/her/it, and the number of financial instruments.

In addition to these previous points, the Bank will not establish any agreement with third parties for instruments held in a global account unless the following conditions are fulfilled:

- -Express consent of each of the clients whose instruments have been settled in a global account
- -Systems and controls that guarantee the use of instruments only if all the clients have given their express consent

Notwithstanding the abovementioned, the Bank shall develop a record of securities financing transactions with respect to Client's financial instruments, including:

- The information of the client from which the financial instruments were used;
- The name of the financial instruments used which belong to each client that has given its consent

Currently, the Bank performs the following controls to avoid improper use of financial instruments:

-Separate areas: the operational management of own portfolio and unrelated portfolio brokerage are separate areas and have the relevant information barriers as provided in the Applicable Regulation. The financial markets administration is physically separate from the treasury and capital market division and has different operating systems for each activity

- Registration of orders and operations: there is a record of orders and operations kept in the Bank's systems
- The balances are reconciled with respect to the Bank's own account and for the Clients' account

-Notifications sent to clients for each transaction in their securities account, setting out the specific details of the operation(s) and global position.

3.6. Daily cash deposited control

As per the Grand-ducal Regulation of 30/05/2018 (art.4, point 3), the clients funds (cash) deposited in Group entities shall not exceed 20% of total funds. In this context, the regulation allows the Bank not to comply with this limit if an assessment based on the principle of proportionality is documented.

For that purpose, the Risk Management department performs a daily control (Daily Risk Reports) on the amount of cash deposited in external entities including group entities.

4. SUB-DEPOSITS ARRANGEMENTS

The Applicable Regulations allow credit institution to deposit the financial instruments they hold on behalf of their clients in accounts open with a third party, providing the companies act with due competence, care and diligence when selecting, appointing and regularly auditing such third party.

The Bank must ensure that every sub-custodian provides, in principle, the same guarantees as itself, i.e. to be a credit institution within the meaning of the Luxembourg law of 5 April 1993 on the financial sector or for foreign institutions, to be a financial institution subject to the rules and prudential supervision considered equivalent to those provided by community legislation. The equivalence criteria is deemed to be fulfilled by any institution falling within the meaning of Directive 2006/48/EC relating to the taking up and pursuit of the business of credit institutions but this must be verified on a case-by-case basis for every institution established in a third country to the EU.

When selecting sub-custodians, the Bank will exercise due skill, care and diligence and shall take into account of the following factors:

- Rating of the company;
- The market requirements and practices regarding the holding of said assets that may adversely affect the client and his/her/its rights;
- The internal procedures to safeguard financial instruments in place at the potential sub-custodian. These procedures must not conflict with those of the Bank and the sub-custodian must provide the Bank with timely notification of any change or modification thereto;
- Not depositing client financial instruments in companies from third countries that are not subject to specific regulations and supervision in that country as regards the holding and custody of financial instruments
- Not depositing financial instruments in countries that do not regulate the safeguarding of financial instruments on behalf of others, except where the nature of the instrument is such that it has to be deposited with that third party, or where a professional client expressly requests so in writing
- Costs and commissions (provision of tax certificates, resolution of reconciliation issues, etc.)

- Other factors to be taken into account such as, for example, the market coverage, the amount of custody admitted the quality of service, the level of specialization, experience and prestige, etc.

The agreement with the sub-custodian must contain an express representation that the latter has clearly identified client records and accounts, separate from the Bank's positions and those of the sub-custodian.

The Bank will conduct periodic evaluations of its sub-custodian(s) at least annually to ensure that the selected company continues to meet the criteria that led to its initial selection. The Operations Department will oversee this review process and will be responsible for preparing and sending a Due Diligence Questionnaire (DDQ) to the selected sub-custodian. If the sub-custodian is unable to provide the Association for Financial Markets in Europe (AFME) DDQ, a customized DDQ prepared by Andbank Luxembourg will be used instead, as detailed in **Appendix I**.

The Compliance Department will analyse the feedback received from the sub-custodian using the Sub-Custodian Acceptance Criteria, a template for which is provided in **Appendix II**.

Following this analysis, a comprehensive Assessment will be compiled for the selected sub-custodian with input from the Middle Office/Operations and the Risk Management Department. The assessment template is available in **Appendix III**. The table on the following page outlines the department responsible for evaluating each section of the report within the Middle Office/Operations, Risk Management, and Compliance departments.

Section	Middle Office	Ok / Ko	Risk Management	Ok / Ko	Compliance	Ok / Ko
1. GENERAL INFORMATION						
1.1 Contact Information	For Information (FI)		FI		FI	
1.2 Company Information	Result of the assessment:	Choose an item.	FI		Result of the assessment:	Choose an item.
2. LEGAL AND REGULATORY PERSPECTIVE						
2.1 Licenses and regulatory general overview	Result of the assessment:	Choose an item.	FI		Result of the assessment:	Choose an item.
2.2 Asset Safety	Result of the assessment:	Choose an item.	FI		Result of the assessment:	Choose an item.
2.3 Insurance	FI		Result of the assessment:	Choose an item.	Result of the assessment:	Choose an item.
2.4 Operational Risk	FI		Result of the assessment:	Choose an item.	FI	
3. EXPERTISE AND QUALIFICATION OF MANAGEMENT						
3 Expertise and qualification of the management	Result of the assessment:	Choose an item.	Result of the assessment:	Choose an item.	Result of the assessment:	Choose an item.
4. FINANCIAL STABILITY						
4 Financial stability	FI		Result of the assessment:	Choose an item.	FI	
5. ORGANISATION STRUCTURE, AUDIT, COMPLIANCE						
5.1 Structure of your organisation	FI				Result of the assessment:	Choose an item.
5.2 Audit	Result of the assessment:	Choose an item.	Result of the assessment:	Choose an item.	Result of the assessment:	Choose an item.
5.3 Compliance	FI		FI		Result of the assessment:	Choose an item.
5.4 AML – CTF Policy & Sanctions programs	FI		FI		Result of the assessment:	Choose an item.
6. TECHNOLOGY SUPPORT AND IT SYSTEMS						
6.1 Systems	Result of the assessment:	Choose an item.	FI		FI	
6.2 Business Continuity	Result of the assessment:	Choose an item.	Result of the assessment:	Choose an item.	FI	
6.3 Security of Information	FI		Result of the assessment:	Choose an item.	FI	
7. CUSTODY ACTIVITIES						
7.1 Products	Result of the assessment:	Choose an item.	FI		FI	
7.2 Corporate actions	Result of the assessment:	Choose an item.	FI		FI	
7.3 Securities Reconciliation	Result of the assessment:	Choose an item.	Result of the assessment:	Choose an item.	FI	
7.4 Cash Management	Result of the assessment:	Choose an item.	FI		FI	
7.5 Tax Treatment	Result of the assessment:	Choose an item.	FI		FI	
8. CLEARING AND SETTLEMENT						
8.1 Technical and communication capabilities	Result of the assessment:	Choose an item.	FI		FI	
8.2 Market Specificities	Result of the assessment:	Choose an item.	FI		FI	
8.3 Settlement capacities	Result of the assessment:	Choose an item.	FI		FI	
9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE CRITERIA						
9 Environmental, social and governance criteria	FI		Result of the assessment:	Choose an item.	FI	
10. CONFLICT OF INTERESTS						
10 Conflict of interests	FI		FI		Result of the assessment:	Choose an item.
11. RELATIONSHIP MANAGEMENT						
11 Relationship management	Result of the assessment:	Choose an item.	FI		FI	
12. ORGANISATION STRUCTURE, AUDIT, COMPLIANCE						
12.1 Name Screening	FI		FI		Result of the assessment:	Choose an item.
12.2 Negative Media	FI		FI		Result of the assessment:	Choose an item.

The approval of the sub-custodian is reviewed and approved by the Board of Directors at least annually, based on the report (**Appendix III**) submitted by the Compliance Department. If a custodian is compliant with all acceptance criteria, this custodian can be escalated for the approval of the Board of Directors (BoD) of the Bank. One hit with refusal criteria involves the rejection of the Custodian unless exceptional specific Board of Directors' approval duly motivated.

Whenever decisions with potential institutional impact are considered, a committee consisting of representatives from the operational departments of Andorra Banc Agricol Reig S.A. and the Bank meets to submit diverse proposals.

5. PROVIDING CLIENTS WITH INFORMATION ON SAFEGUARDING

The Bank shall, prior to the provision of investment services, provide its clients or potential clients with the information set out in Article 49 of the Delegated Regulation, where relevant, regarding the protection and safeguarding of their Assets.

For this purpose, the present Policy is published on the Bank's corporate website. The Bank's General Terms and Conditions do not reproduce this information directly; they expressly refer clients to this Policy as the source of the safeguarding information required under Article 49 of the Delegated Regulation. The Operations Department is responsible for ensuring that the version of the Policy published on the corporate website corresponds at all times to the latest version approved by the Board of Directors, in accordance with Section 6 below.

Where relevant, clients or potential clients shall in particular be informed of the following:

- The financial instruments will be received by the Bank for deposit by delivery or electronic transfer.
- Third-party custody: where the client's financial instruments or funds may be held by a third party (sub-custodian) on behalf of the Bank, the Bank is responsible, under applicable national law, for exercising due diligence in the selection, appointment and periodic review of that sub-custodian in accordance with Section 4 of this Policy. Where the segregation arrangements described in Sections 3 and 4 operate effectively, the client's financial instruments should not form part of the sub-custodian's insolvency estate. However, in the event of the sub-custodian's insolvency, the client may nonetheless experience delays in the recovery or transfer of its instruments while insolvency proceedings are ongoing, and, if segregation proves incomplete or ineffective, may face a partial or total loss of the instruments concerned, ranking as an unsecured creditor for any shortfall.
- Omnibus accounts: where the client's financial instruments may be held in an omnibus or global account together with the instruments of other clients, the client's individual position may not be immediately identifiable to the sub-custodian or, in the event of its default or insolvency, to its administrator or liquidator. Any shortfall arising from an error, default or insolvency affecting the omnibus account may be shared on a pro-rata basis among all clients whose instruments are held in that account, meaning the client could bear a proportional loss even where its own instruction and records were correct.

- Non-segregation: the Bank requires, under Sections 3 and 4 of this Policy, that each sub-custodian maintains client financial instruments separately identifiable from its own proprietary instruments and from those of the Bank. As at the date of this Policy, the Bank has not identified any sub-custodian for which this segregation cannot be achieved under the applicable national law.
- Non-EU jurisdiction: as at the date of this Policy, the Bank does not hold client financial instruments or funds through sub-custodians subject to the law of a jurisdiction other than that of a Member State. Should this change, clients will be informed accordingly, including of any resulting differences in their rights.
- The existence and terms and conditions of any security interest, lien or right of set-off that the Bank has or may have over the client's financial instruments or funds, and, where applicable, that a sub-custodian may have a security interest, lien or right of set-off over those instruments or funds.
- Before entering into securities financing transactions in relation to financial instruments held on behalf of the client, or before otherwise using such instruments for the Bank's own account or the account of another client (see Section 3.5 above): clear, full and accurate information, provided in good time and in a durable medium, on the Bank's obligations and responsibilities with respect to the use of those instruments, including the terms for their restitution and the risks involved.

6. POLICY APPROVAL AND REVIEW

The review and evaluation of the present Policy will be carried out regularly by means of:

- Periodic reviews on the part of the Operations Department
- Internal Audits according with the calendar established in the Plan of Audit
- External annual Audit

This policy has been approved by the Board of Directors of ANDBANK LUXEMBOURG, S.A.

Any changes to this policy will require the approval of the Board of Directors of ANDBANK LUXEMBOURG, S.A. Following each Board of Directors approval, the Operations Department shall publish the approved version of the Policy on the Bank's corporate website, replacing any prior version.

7. DOCUMENT TRACKING

CONTROL VERSION			
	Name	Signature	Date
(a) Review	Patrick Ferreira Martins	Chief Operations Officer	08/09/2026
(b) Approval		Management Committee	15/09/2026
		Board of Directors	17/09/2026

8. APPENDIX I: APPENDIX I - DUE DILIGENCE QUESTIONNAIRE



Appendix I - Due
Diligence Questionnaire

9. APPENDIX II: APPENDIX II - DDQ- CRITERIA



Appendix II - DDQ-
criteria.docx

10. APPENDIX III: APPENDIX III - DDQ- REPORT



Appendix III - DDQ-
Report.docx