

## **SAFEGUARDING CLIENTS' ASSETS AND CUSTODIAN SELECTION POLICY**

**Y2010**

### **I. GENERAL PROVISIONS**

The present policy is based on the currently effective legislation and the Safeguarding Clients' Assets and Custodian Selection Policy of National Bank of Greece S.A.

This Policy may be a basis for other internal acts, containing detailed regulations or procedures.

United Bulgarian Bank AD - member of the NBG Group of Companies (hereinafter "the Bank") - strives to provide its clients with investment and / or ancillary services, which cover fully their requirements, provided with the highest level of security and transparency and compliant with regulatory and statutory requirements, while achieving the best interest of clients and safeguarding their rights in relation to financial instruments and funds, possessed by them.

### **II. SCOPE**

The present Policy shall apply respectively to the Bank in its capacity as a bank-custodian within the meaning of the Social Insurance Code and a bank-depositary within the meaning of the Public Offering of Securities Act, insofar as it does not contradict the effective legislation, concerning these activities and the contracts with the respective clients.

The policy for safeguarding clients' assets by the Bank or by any third parties (sub-custodians) shall include:

- safeguarding of clients, funds and financial instruments,
- depositing of client financial instruments,
- conditions in order to use (by the Bank) client financial instruments, and
- depositing client's funds in connection with the investment and / or ancillary services, provided by the Bank.

This policy sets out the framework for safeguarding assets of the Bank's clients and the sub-custodian selection procedure. This Policy does not encompass all the activities, performed by the Custody Unit, since there are also other internal acts, covering activities outside the scope of this Policy.

### **III. AUTHORITIES & GOVERNANCE**

The Senior Management of the Bank shall be responsible for setting written rules and establishing adequate controls and appropriate procedures for the provision of the services according to this policy, as well as for the oversight of implementation.

The heads of the respective divisions, executive or representative staff members, the persons working under contracts for the Bank, as well as the Personnel of the Bank shall be responsible for the sound implementation of this policy. They shall immediately report to the responsible bodies of the Bank any case of non-implementation brought to their attention or reported to them by clients and they should act jointly with the authorized structural units, in line with applying the pre-set remedial actions, stated herein.

Operations Department, Investment Banking Department and Treasury Division shall respectively be responsible for the implementation of this policy.

This policy shall be subject to review at least once per annum, or more frequently, if necessary, in view of incorporating the changes in the effective regulatory and statutory requirements, the changes in the Bank's or the Group's strategic objectives or in the internal (organizational – business) and external (market) environment of the Bank or the Group. The Policy is subject to approval by NBG Group Compliance Division prior to its approval by UBB Board of Directors.

The Bank has established comprehensive Compliance mechanisms and integrated Internal Audit systems.

### **IV. SAFEGUARDING CLIENTS' FINANCIAL INSTRUMENTS AND FUNDS**

In order to preserve its clients' rights on safeguarding their assets and funds, the Bank maintains records and separate accounts for its clients that enable it to distinguish each client portfolio from another or from the Bank's own portfolio at any time and without delay.

The records and the accounts are maintained in a manner, ensuring their accuracy and correspondence to the financial instruments and funds, held for clients.

The Bank reconciles, on a regular basis, the records and accounts maintained by it with those, maintained by third parties, holding client's assets.

The Bank has established the necessary mechanisms and procedures and undertakes the appropriate measures during the accounting reconciliation or physical count in order to:

- ensure the accuracy and correspondence of accounts and records to the respective financial instruments and funds, held for its clients,
- conduct, on a regular basis, reconciliations between accounts and records, maintained by the Bank with the respective accounts and records, held by any third parties (sub-custodians), holding assets on behalf of the Bank's clients, if any,
- ensure by taking all appropriate actions, that the clients' financial instruments, held by a third party (sub-custodian) are identifiable separately from the financial instruments, possessed by the Bank and those possessed by the sub-custodian, by using differently titled accounts in the books of the third party (sub-custodian) or by applying other equivalent measures, which can achieve the same level of protection,
- minimize the risk of loss or decrease of clients' assets or of their rights in relation to those assets, due to misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence.

The Bank shall control and continuously improve its services regarding the safeguarding of clients' assets, as well as its operational procedures in relation to the above, where possible and according to the regulatory and statutory requirements.

The Bank shall inform its retail clients, or potential retail clients of the third party by which and where the funds and /or financial instruments, provided to the Bank, may be kept. This notification shall also state the responsibility of the Bank as per its national legislation for any action or inaction by the entity, holding the client's funds and /or financial instruments and the consequences for the client in case of that entity's insolvency.

The Bank shall inform its retail clients, or potential retail clients of the possibility their financial instruments to be held in an omnibus account with a third party, if the national legislation allows it. The Bank shall inform its retail clients, or potential retail clients, of the cases where the national legislation does not allow the client's financial instruments, held by a third party, to be separated from the financial instruments of that third party or of the Bank. The notification shall have to explicitly define the risks for the client, resulting from the above circumstances.

The Bank shall explicitly inform its retail clients, or potential retail clients when the accounts, where their funds and /or financial assets are stored, are or will be a subject to regulation by the laws of a country, which is not a EU member state. The notification shall state that the client's rights, related to funds or financial instruments, may differ, due to the application of a third-country law.

The Bank shall explicitly inform the client regarding:

- a. the potential risks upon provision of services, related to safeguarding clients' assets in case a third party sub-custodian is involved,
- b. their rights and obligations regarding the safeguarding of their assets, as well as about all costs or associated charges, or other expenses, if any;
- c. its obligations in cases of use of clients assets, as well as about the related risks in those cases,
- d. the existence of possessory lien in the Bank's favour or a retention right over the client's funds or financial instruments, as well as of the conditions, on which grounds these rights arise or may originate;
- e. the existence and the conditions upon which the Bank has or may have an offsetting right over the client's funds or financial instruments;
- f. the possibility a depository institution to have possessory lien, right to retention or set-off over the client's funds or financial instruments.
- g. other special cases (e.g existence of additional collateral etc).

The Bank shall ensure that the client has fully understood the terms and conditions of the provision of the assets' safeguarding service and shall demand his/her/its written consent, when needed.

The Bank shall ensure that the Personnel, involved in the assets' safeguarding services, has the necessary knowledge and expertise. Furthermore, the Bank shall ensure that all the necessary security standards, regarding the safeguarding of clients' assets, are being followed.

#### **V. DEPOSITING CLIENTS' FINANCIAL INSTRUMENTS AND CUSTODIAN SELECTION**

The Bank, apart from providing custodian services itself, shall keep safe the financial instruments of its clients with a depositary institution in client accounts, subordinate to the account of the Bank or in accounts, opened to the account of a third party (sub-custodian) on the grounds of a written agreement for provision of investment and ancillary services, in compliance with the conditions envisioned therein, as well as upon the conditions and procedures, set out in the present policy and the currently effective legislation.

When the Bank opens an account for financial instruments of its clients with a third party (sub-custodian), it shall have to take due care for the interests of its clients while selecting and appointing that third party (sub-custodian). Moreover, the Bank shall monitor the selection of the sub-custodian (if any) periodically, at least on annual basis. In execution of the said duties (selection, assessment and monitoring), the Bank shall take into account the professional qualities and market reputation of the third party (sub-custodian), as well as the regulatory requirements, pertaining to the holding of such financial instruments, which may impair the client's rights. Additionally, third parties (sub-custodians) shall be selected, assessed and monitored based on internationally accepted standards.

The Bank shall set measurable objectives, regarding the security, transparency and effectiveness of safekeeping clients' assets by the Bank itself or by third parties (sub-custodians), which shall be monitored and assessed on an ongoing basis.

The Bank shall pay special attention in case of a third party (sub-custodian) selection in a country, outside the European Union. The Bank shall deposit the financial instruments of its clients with a sub-custodian in a country outside the European Economic Area (E.E.A.) only if the third party is subject to specific regulations and supervision in that country.

If the Bank intends to deposit financial instruments of a client with a third party (sub-custodian) in a country, which legislation provides for special regulation and supervision on safekeeping of financial instruments for another person's account, the Bank shall not deposit the client's financial instruments with a sub-custodian in that country, which is not subject to the regulation and supervision, envisaged by the local legislation.

The Bank shall not deposit financial instruments, held on behalf of its clients with a sub-custodian in a third country that does not regulate the holding and safekeeping of financial instruments for another person's account, unless having met one of the following conditions:

- a. The nature of the financial instruments or of the investment services, connected with those instruments, require those to be deposited with a third party in that particular third country, or;
- b. The financial instruments are being held on behalf of a professional client and that client has requested in writing from the Bank to deposit the instruments with a third party in that particular third country.

The Bank shall take the necessary and appropriate measures to ensure that the keeping of its client's financial instruments with a third party (sub-custodian) is being performed in a manner, which guarantees identification of the client's financial instruments separately from those of the Bank or of the third party, by keeping of separate accounts by that third party or by applying some other measures, ensuring the same level of protection.

In case that the applicable legislation to the operation of the third party does not allow compliance with the requirements of the previous paragraph, the Bank shall have to initiate appropriate actions for guaranteeing clients' rights in relation to the deposited with the third party financial instruments, including by opening a separate account for clients' assets other than its own account, which separate account the third party shall have to maintain on the Bank's behalf, but for somebody else's account.

The Bank shall review and improve, on an ongoing basis, the specific characteristics of the services, provided by the third party (sub-custodian), where possible and in accordance with the existing regulatory and relevant statutory requirements of the country, where the third party operates.

#### **VI. DEPOSITING CLIENTS' FUNDS**

The Bank may deposit funds, provided by clients or obtained as a result of investment services, performed for their account, into one or more accounts, opened with any of the following institutions:

- a. a Central Bank,
- b. a credit institution within the meaning of the Markets in Financial Instruments Act,

- c. a bank, licensed in a third country, and
- d. a collective investment scheme, which has obtained permission to operate in accordance with Council Directive 85/611/EEC, or another collective investment undertaking that is subject to supervision by a competent supervisory authority of a Member State, provided that it meets the respective legal requirements.

The Bank shall not be entitled to invest client funds in collective investment schemes as per letter “d” above, if the client has opposed to such investment.

If the abovementioned institutions stand related parties to the Bank, the latter may invest a client’s cash funds with those only upon the client’s written consent.

In cases where the Bank deposits client funds with an entity, other than a Central Bank, it shall have to take due care for the interests of the client, while selecting that entity and depositing the client’s funds therein and shall review periodically with that same due care, at least on an annual basis, the selection of that particular institution or collective investment scheme, as well as the conditions under which it keeps the client’s cash funds.

In implementation of the said duties, the Bank shall take into account the professional qualities and market reputation of the party with a view to guarantee the client’s rights, as well as the statutory requirements and market practices, related to the safekeeping of funds, which may impair the client’s rights. For that purpose the Bank shall follow specific procedures for selection, appointment and monitoring of the institutions, where these funds have been deposited.

The Bank shall take all appropriate measures to ensure that clients’ funds, deposited on their behalf with any of the abovementioned institutions, have been posted in account(s), separate from the accounts, used for Bank’s funds.

In case that the legislation applicable to the activity of the institution, where the client’s funds have been deposited, does not allow compliance with the said requirements in the previous paragraph, the Bank shall take all appropriate measures for guaranteeing the client’s rights, relating to the deposited funds, including by opening an omnibus account for clients’ funds, which omnibus account such third party shall have to maintain on the Bank’s behalf, but for somebody else’s account.

## **VII. USE OF CLIENTS’ FINANCIAL INSTRUMENTS**

The Bank may use proprietary financial instruments of its clients or use such financial instruments for the account of another client of the Bank, only upon the client’s (financial instruments’ possessor) explicit consent to the use of the instruments upon the particular terms and conditions. The consent shall be given in writing, if it refers to a retail client, ascertained as such, based on all relevant criteria.

The Bank may use financial instruments, held on behalf of a client, in an omnibus account, maintained with a third party (sub-custodian) only and solely if:

- the requirements of the previous text have been met;
- the records, maintained by the Bank include information about the client, on whose order the financial instruments have been used, as well as on the number of the used financial instruments of every client, with a view to proper allocation of eventual losses.

and at least one of the following conditions has been met:

- all clients, whose financial instruments are kept together in an omnibus account, have provided their prior written consent to the above stated conditions;
- there are procedures in the Bank, operating in general or created for the particular case, which guarantee that used financial instruments are only of clients, who have given their explicit written consent in advance in accordance with the above conditions, as well as that there are control mechanisms in place for compliance with that requirement.

Prior to the conclusion of a transaction with securities, having as subject financial instruments, held for the account of a retail client, or before otherwise using such instruments for its own account or for the account of another client, the Bank shall provide - on a durable medium and within a reasonable time prior to the use of the financial instruments - the retail client with clear, complete and accurate information about the Bank’s obligations and responsibilities in relation to the use of the financial instruments, including the associated risks and the conditions for the instruments’ refunding, if relevant to the transaction.

All the above mentioned shall be fully documented in the Bank's systems and records.

Stricter rules than those set out herein shall apply when the Bank is acting in its capacity as a:

- a. depository institution, within the meaning of the Public Offering of Securities' Act (POSA), as the respective restrictions of POSA (Art. 173 et seq.), as well as those in client contracts, shall apply;
- b. bank-custodian within the meaning of the Social Insurance Code (SIC), as the respective relations shall be settled in compliance with the requirements of the above act, as well as the provisions, set out in client contracts.

**The present Policy was approved by the Executive Directors of UBB AD and came into force as of 05.06.2009.**

**The present Policy was amended following its coordination with NBG Group Compliance Division, its approval by UBB Board of Directors on 27.09.2010, and came into force 3 days thereafter.**