



Baltic International Bank

INFORMATION ABOUT THE COSTS AND RISKS ASSOCIATED WITH THE INDIVIDUALLY SEGREGATED ACCOUNT AND THE OMNIBUS CLIENT ACCOUNT IN NASDAQ CSD SE

28 February 2020

JSC „Baltic International Bank“ (Bank) is a direct participant of Nasdaq CSD SE (Nasdaq CSD), the regional Baltic central securities depository. In its capacity as an account operator, Bank is authorised to participate in Latvian, Lithuanian and Estonian securities settlement systems (SSSs). To ensure safekeeping (custody) of financial instruments, as registered in Latvia, Lithuania and Estonia, in favour of Bank and its clients, Bank has therefore opened financial instruments accounts in Nasdaq CSD.

The safekeeping of financial instruments, as registered in Latvia, Lithuania and Estonia, in favour of Bank's clients at the level of Nasdaq CSD is possible by holding:

- financial instruments owned or possessed by different clients of Bank in a separate financial instruments account (omnibus client account);
- financial instruments owned or possessed only by one client of Bank in an individual financial instruments account (individually segregated account).

In all circumstances, Nasdaq CSD performs safekeeping and recording of financial instruments of Bank's clients strictly separately from Bank's own financial instruments. Under no circumstances (including insolvency) will Nasdaq CSD or Bank satisfy the claims of its respective creditors from the financial instruments credited to the omnibus client account or to the individually segregated account.

Transactions in clients' financial instruments recorded in Nasdaq CSD are executed through Bank's intermediation, based on clients' orders.

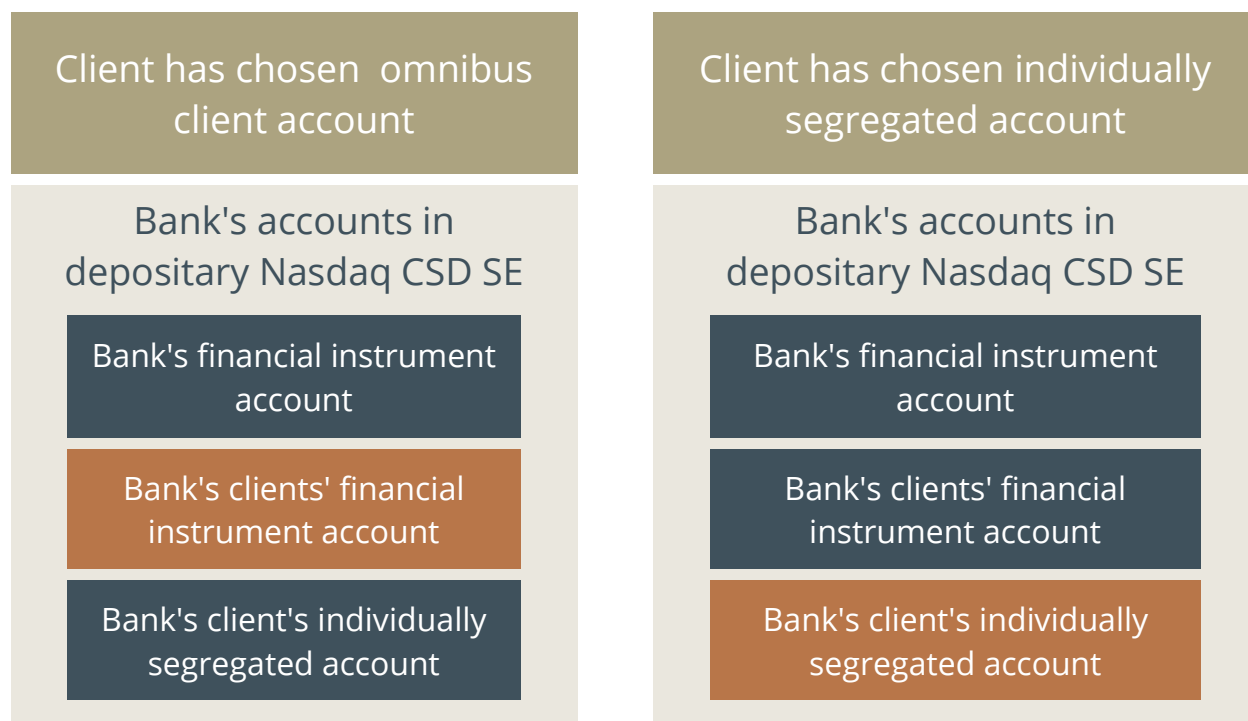
Bank-charged fees, such as custody fee, transfer fee and fees charged for other custodian-bank services relating to the financial instruments credited to the omnibus client account, are determined according to Bank's fee schedule. A fee for opening of the individually segregated account is determined according to Nasdaq CSD's fee schedule. The safekeeping of financial instruments in the individually segregated account at Nasdaq CSD-level may entail increased costs, particularly in the case of encumbrances registered against the financial instruments (e.g. financial collateral, etc.).

Client has the right to choose either the omnibus client account or the individually segregated account (held in Nasdaq CSD) in which Bank will ensure the safekeeping of client's financial instruments registered in Latvia, Lithuania and Estonia. Client must notify Bank of the choice of the individually segregated account by submitting the respective order to Bank and by concluding relevant agreement with Bank. All of client's financial instruments registered in Latvia, Lithuania and Estonia will be held in the omnibus client account in Nasdaq CSD until after Bank has received client's order.

The Bank's client accounts in Nasdaq CSD are shown on the image below and depend on which account the Bank's client has chosen to store financial instruments in Nasdaq CSD.



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Below, we have provided a detailed information on the types of Bank-ensured accounts at Nasdaq CSD-level for the safekeeping of financial instruments, as registered in Latvia, Lithuania and Estonia, in favour of Bank's clients.

Individually segregated account

The individually segregated account is an account used to hold in custody and to record the financial instruments registered in Latvia, Lithuania and Estonia and owned or held by Bank's client. The individually segregated account is set up at Nasdaq CSD-level, on Bank's behalf, in favour of one client only, albeit without identifying the client.

The individually segregated account (as opened on Bank's behalf at Nasdaq CSD-level) contains a specific book entry evidencing solely that the financial instruments are held in favour of another person and are individually segregated (held on a segregated basis).

The book entry posted to Client's account opened with Bank (a specific record evidencing the availability of the financial instruments in the account) is the proof of that the financial instruments (held in the individually segregated account on Bank's behalf at Nasdaq CSD-level) are owned by client.

The safekeeping of financial instruments in the individually segregated account on Bank's behalf is possible only when the financial instruments are held in client's separate financial instruments accounts at all custody levels (with other credit institutions, investment firms, and others).

In certain cases, the safekeeping of financial instruments in the individually segregated account at Nasdaq CSD-level may mitigate risks associated with Bank's activities in its capacity as an account



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operator of the accounts opened in Nasdaq CSD as well as may speed up the return of financial instruments to client if Bank goes insolvent.

Omnibus client account

The omnibus client account is opened on Bank's behalf at Nasdaq CSD-level. Bank holds together and records the financial instruments, as owned or possessed by Bank's multiple individual clients, in the omnibus client account, albeit without identifying each client individually.

Financial instruments held in the omnibus client account at Nasdaq CSD-level are held strictly separately from Bank's own financial instruments.

The omnibus client account contains a specific record evidencing that the financial instruments are held in favour of Bank's multiple individual clients, albeit without identifying and segregating each client individually.

The book entry posted to Client's account opened with Bank (a specific record evidencing the availability of the financial instruments in the account) is the proof of that the financial instruments (held in the omnibus client account on Bank's behalf at Nasdaq CSD-level) are owned by client.

Bank ensures that any of client's financial instruments transactions are immediately registered and recorded in client's financial-instrument account with Bank and, accordingly, in the omnibus client account at Nasdaq CSD-level.

The information contained herein is intended for informative purposes only. You should not regard or rely upon this information as a legal advice or other relevant advice.