

# Principles for protection and safekeeping of the assets of clients

Approved: 14.01.2025	Effective: 14.01.2025	First approved and effective from: 06.04.2009
		Amended: 01.04.2013, 21.08.2017, 16.09.2021, 05.09.2022, 14.01.2025

## 1. General

- 1.1. These Principles for protection and safekeeping of the assets of clients (hereinafter the **Principles**) describe how AS Redgate Capital (hereinafter the **Company**) has arranged the safekeeping and protection of the securities and money of its clients. Unless otherwise specified in the Principles, a client means a natural or legal person who has entered into a service agreement with the Company.
- 1.2. These Principles apply to all Company's employees and contractual partners of the Company, unless otherwise provided in the respective agreements concluded with them.
- 1.3. The Company preserves information and keeps such records and accounts as are necessary to enable at any time and without delay to distinguish assets held for one client from assets held for any other client, and from the assets of the investment firm. Assets of clients managed and maintained by the Company, including assets of clients maintained in the name of the Company as well as assets acquired on account of such assets, belong to the respective clients and shall not be included in the bankruptcy estate of the Company, nor shall the claims of the creditors of the Company be satisfied on account of such assets. The Company takes organisational measures to manage the risk of the loss or decrease of the assets of clients, or of the rights related to such assets, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence.
- 1.4. The Company conducts, on a regular basis, reconciliations between its internal accounts, information and records, and those of any third parties by whom those assets are held. For this, the back-office responsible employee makes an inquiry in the internet bank of the third party holding clients' assets at least once a month and this is reviewed by the employee assigned responsible for safeguarding of client securities and funds.
- 1.5. The Company stores the information about clients' assets in a format which can be reproduced on a durable medium.
- 1.6. The responsible employee assigned by the Company's management, is responsible for fulfilling the duties on safeguarding clients' securities and funds described in the current Principles, including the following tasks:
  - 1.6.1. regularly reviewing the reconciliation of money and securities according to section 1.4;
  - 1.6.2. reviewing compliance with information storing requirements according to section 1.5;
  - 1.6.3. reviewing the documentation of client consents (consent for keeping, using and disposal of securities).
- 1.7. The implementation of the current Principles is reviewed by the Company's Compliance Manager and the appropriateness and effectiveness is reviewed by the Company's internal auditor. Reporting to the Financial Supervisory Authority (Finantsinspektsioon) on the maintenance and protection of assets belonging to clients is regulated by the Company's internal regulation on reporting principles ("Aruandluse esitamise kord").

## 2. Methods of safekeeping the assets of clients

### 2.1. Money

- 2.1.1. The Company promptly deposits the client's money to one or more accounts opened with a credit institution that has been granted an authorisation in a Contracting State. Client's written and explicit consent, which can be included in the client agreement, is required for keeping securities in a nominee account.
- 2.1.2. After signing the agreement, the client transfers money to an account opened in the name of the Company with a credit institution that has been granted an authorisation in a Contracting State. The Company uses the account solely for depositing clients' money and the Company can deposit several clients' money in the same account. The Company does not keep their own money in the same account as clients' money.
- 2.1.3. The Company's accounting systems and other monitoring systems must ensure the reliable and continuous monitoring of the clients' money and any changes therein as a whole and separately for each client.
- 2.1.4. The selection of the credit institution, where the clients' assets are deposited, is decided by the Company's management.
- 2.1.5. With their decision, the Company's management can set specific requirements for the credit institution to where the clients' money can be deposited.

### 2.2. Securities

- 2.2.1. The local legislation regulating the securities market, official guidelines, and principles of the counterparties are implemented regarding the client funds and securities. Securities, in particular, are held in a nominee account based on a contract with a third party (e.g., AS SEB Pank and other similar credit institutions).
- 2.2.2. When deciding on the principles of depositing client securities and selecting a service provider, the Company must exercise all due skill, prudence and diligence and takes into account any relevant legal requirements or market practices related to the holding of securities in a specific jurisdiction that could adversely affect clients' rights; service provider's principles of safeguarding and accounting for client's securities; the Company's legal possibilities to exercise control over the way the service provider safeguards client's securities; and also the reputation and expertise of the service provider in the relevant jurisdiction. With their decision, the Company's management can set specific requirements for the service provider with whom the clients' securities can be deposited.
- 2.2.3. The Estonian and foreign securities of the Company's clients are usually held by the clients with a credit institution selected by them and these may be managed in a chain of several levels: credit institutions may, in turn, deposit securities with their sub-depositaries. According to international practice, securities are generally not registered on behalf of clients (except Estonian securities deposited with the Estonian Central Securities Depository); instead, the securities are registered on behalf of the Company as the owner of the nominee account (e.g., as Redgate clients) or on behalf of the credit institution or sub-depositary of the next level of the chain.
- 2.2.4. The Company deposits securities only with such a party in such a jurisdiction, where the holding of securities for the account of another person is subject to specific requirements and supervision. The Company can deposit securities in such a third country, where the holding and safekeeping of securities for the account of another person is not regulated, only if one of the following conditions is met:
  - 2.2.4.1. regardless of the client categorisation, the nature of the securities or of the investment services connected with those securities requires them to be deposited with a third party in that third country;
  - 2.2.4.2. the nature of the securities or of the investment services connected with those securities does not require them to be deposited with a third party in that third country, but the securities are held there on behalf of a professional client (categorised as such based on the internal regulation Client categorisation criteria for investment services or ancillary services) who has provided a written consents to deposit them with a third party in that country.
- 2.2.5. The principles of depositing clients' securities and the selection of the service provider is decided by the Company's management considering the clients' best interests.

### 3. Use and disposal of client securities

- 3.1. The Company obliges to not use or dispose of client assets in their own interest, incl. concluding securities financing transaction with securities held on behalf of the client. The Company may only use the securities if the client has given a prior express written consent, and the use of client's securities is restricted to the specified terms.
- 3.2. The Company is prohibited to conclude securities financing transactions with securities which are held on behalf of a client in an omnibus account of a third party or any other equivalent account, or otherwise use or dispose of the securities for their own account or for the account of another client of the investment firm or of any other person, unless, in addition to the conditions set out in section 3.1, at least one of the following conditions is met:
  - 3.2.1. each client whose securities are held together in an omnibus account, or an equivalent account has given prior express written consent;
  - 3.2.2. the Company has in place systems and controls which ensure that only securities belonging to clients who have given prior consent, as described in section 3.2.1., are so used.
- 3.3. The Company keeps records of the details of the clients on whose instructions the use of the securities has been affected, as well as the number of securities used belonging to each client who has given his or her consent, so as to enable the correct allocation of any loss.
- 3.4. The Company takes appropriate measures to prevent the use of client securities for their own account or the account of any other person without the consent of the client. The Company shall, *inter alia*:
  - 3.4.1. specify measures to be taken by the Company in an agreement to be entered into with a client in case the client does not have enough provision on its account on the settlement date to settle the transaction, such as borrowing of the securities on behalf of the client or unwinding the position;
  - 3.4.2. monitors that the Company is able to deliver on the settlement date and establish remedial measures if the settlement cannot be done;
  - 3.4.3. monitors the correct settlement of transactions and request promptly undelivered securities outstanding on the settlement date and beyond.

### 4. The application of these Principles according to the main client groups of the Company

#### 4.1. Clients of financial advisory services

- 4.1.1. In the case of clients of financial advisory services (M&A advisory, real estate advisory, debt capital raising (private loan), or other financial advisory services), the Company does not need access to the assets of clients and therefore these Principles for protection and safeguarding of the assets of clients do not regulate the provision of such services.

#### 4.2. Clients of investment services and ancillary services to investment services

##### 4.2.1. Clients of capital raising service

- 4.2.1.1. In the case of clients of capital raising service (debt capital raising through the issuance and/or listing of securities (including engagement of investors) and equity capital raising through issuance (including engagement of investors)), the Company in general does not need access to the assets of clients and therefore these Principles do not regulate the provision of such services. Clients keep their assets with the service provider (account manager) selected by them. In such a case, the Company can only **dispose of the client's assets on the basis of the corresponding authorisation of the client** if this is necessary in connection with the offering of securities or organisation of an issue. In such a case, the safeguards are limited to the adequate, timely and traceable grant of the rights to the employees inside the Company for the conclusion of transactions on the respective accounts (if this is necessary for the provision of the service). In addition, it is possible to provide a payment agent service to the client, which would entail a short-term keeping of securities service, if the client so wishes, on a **client's** segregated account under **the Company's** account in a credit institution. In this case, the principles of protection and safeguarding of assets described in these Principles would apply.

##### 4.2.2. Clients of wealth management services

- 4.2.2.1. Wealth management services include the reception, transmission, and execution of client's orders related to securities; safekeeping and administration of the client's securities; investment advice

## Principles for protection and safekeeping of assets belonging to the client

(dependent) and discretionary portfolio management. The implementation of the protection and safekeeping of assets of clients is dependent on the service provided:

- 4.2.2.1.1. Clients of the service of execution of orders related to securities in the name of or for the account of the client, who keep their assets with the Company. When executing orders, the Company does so in the name of the client. The Company stores information about all transactions, which allows reviewing the conditions of transactions, in addition, the Company sets limits on money transfers. The Company regularly reviews that transactions are in line with market conditions. The service of keeping securities is provided by using a nominee account opened by the Company in a credit institution. The assets of clients **are kept separate from the Company's own assets** and a detailed accounting is kept on securities belonging to each client. In case the client receives payments related to securities (e.g., dividends, interest payments, etc), then these payments are reflected in the client accounts.
- 4.2.2.1.2. Clients of the service of reception and transmission of orders related to securities who do not keep their assets with the Company. The Company does not need access to clients' assets when receiving and transmitting of orders related to securities, and therefore these Principles for protection and safekeeping of the assets of clients do not regulate the provision of such services.
- 4.2.2.1.3. Clients of the investment advice service. The Company mainly provides the investment advice service to clients who are also using the service of safekeeping securities, therefore the principles described in section 4.2.2.1.1 apply. In case the Client does not keep their assets with the Company, the service provider who is holding the Client's assets is responsible for the protection and safekeeping of these assets.
- 4.2.2.1.4. Clients of the discretionary portfolio management service. The Company mainly provides the portfolio management service to clients who are also using the service of safekeeping securities, therefore the principles described in section 4.2.2.1.1 apply. In case the Client does not keep their assets with the Company, the service provider who is holding the Client's assets is responsible for the protection and safekeeping of these assets.