

## **MEASURES TO ENSURE THE SECURITY OF FINANCIAL INSTRUMENTS AND PECUNIARY MEANS BELONGING TO CLIENTS OF UAB FMĮ "ORION SECURITIES"**

The accounting of clients' financial instruments and funds is carried out by UAB FMĮ "Orion Securities" (hereinafter referred to as the Intermediary) in accordance with the laws of the Republic of Lithuania, resolutions of the Board of the Bank of Lithuania, other applicable legislations, the procedures governing the accounting of securities and funds of Nasdaq CSD SE, and the internal documents of UAB FMĮ "Orion Securities".

By safeguarding clients' financial instruments and funds, the Intermediary aims to:

Make sure that the accounting system used enables immediate separation of the assets of a specific client from the assets of other clients and from the assets of the Intermediary at any time;

Make sure that records are made and records are maintained to ensure their accuracy;

Regularly verify the records made and the accounting maintained by the Intermediary with the records made and the accounting maintained by third parties with whom the client's assets are kept;

Take the necessary steps to separate the financial instruments of the clients, which are kept with a third party, from the financial instruments of the Intermediary and from the financial instruments belonging to that third party by using separately identified accounts in the accounting of the third party or other equivalent means;

Take the necessary steps to make sure that clients' funds are kept in a bank or other financial institution in accounts separate from the accounts used for keeping the Intermediary's funds;

Take appropriate organisational measures aimed at reducing the risk of loss or reduction of clients' assets or rights related to them, arising from illegal use of assets, fraud, theft by deception, improper administration, insufficient storage of information or other negligence.

### **Custody of financial instruments**

The Intermediary seeks to take measures to ensure the protection of the clients' property rights, especially in case of insolvency of the Intermediary, by safeguarding the financial instruments belonging to the clients. To this end, the Intermediary includes one's own and each client's financial instruments separately in the accounting thereof, and in the event that the clients' financial instruments are kept by other custodians of financial instruments, seeks that the custodian of the financial instruments records the assets of the Intermediary's clients in a separate account or in a joint account of the Intermediary's clients (omnibus account), however, separately from the financial instruments belonging to the Intermediary.

Financial instruments issued by Lithuanian issuers are kept by the Intermediary in the personal financial instrument accounts of clients opened by the Intermediary. Financial instruments issued by issuers registered abroad as well as financial instruments of Lithuanian issuers that are included in trading on a foreign regulated market are kept in custody on the basis of the agreements with credit institutions registered abroad or other institutions (financial instrument custodians, depositories) licensed to provide financial instrument custody services. Foreign financial instrument custodians, if possible, open omnibus accounts on behalf of the Intermediary and separate Clients' financial instruments from the Intermediary's assets. The Intermediary warns that in individual cases, if it is not possible to open an omnibus account for clients, financial instrument custodians open financial instrument accounts on behalf of the Intermediary where Clients' financial instruments are not separated from the assets of the Intermediary. In the latter case, the financial instrument custodian can direct the satisfaction of one's claim rights against the Intermediary to the financial instruments in the account opened on behalf of the Intermediary.

Clients' financial instruments are also kept with third parties hired by the Intermediary in cases where this is necessary for the provision of investment services by the Intermediary within the course of trading those financial instruments, i.e., executing client orders for financial instruments. In such cases, the client's financial instruments may be sold by the Intermediary or a third party on behalf of the client, used by the Intermediary or a third party in the execution of orders, the Intermediary or a Third Party may have the rights to ensure the fulfilment of obligations, retain assets, or set off counterclaims, etc., which may result in the client losing such financial instruments.

The Client's financial instruments may also be held by third parties when they are provided to the Intermediary or such third parties as collateral (margin). Financial instruments may be immediately

sold or otherwise used to fulfil obligations without notifying the Intermediary and / or the client in the event of certain circumstances (both specifically identified and defined by the assessment criteria or unilaterally established by the discretion of a third party) in the market (e.g., large fluctuations in the prices of financial instruments when transactions are concluded using a leverage; failure in fulfilment or inadequate fulfilment of obligations assumed by the client).

The Intermediary shall not have the right to keep financial instruments belonging to clients with a third party in a third country where the keeping and safekeeping of financial instruments on the account of another person is not regulated, except in cases where one of the following conditions is met:

- the nature of the financial instruments or the investment services provided for them determines that the financial instruments must be kept with a third party in that third country;
- the financial instruments are kept on account of a professional client and the professional client files a written application to the Intermediary requesting to have the financial instruments belonging to him / her kept with a third Party in that third country.

When keeping the client's financial instruments with third parties and / or in a third country:

- they may be kept in the omnibus account opened by the custodian of financial instruments, which means that such client's financial instruments may be kept together with the financial instruments of other clients of the Intermediary. Furthermore, in such a case, the Client would be able to exercise the rights granted by such financial instruments only through the Intermediary;
- subject to the law applicable to the custodian of financial instruments, the latter may not be subject to the principle of separation of assets, which means that the financial instruments belonging to the client and kept by a third party, in accordance with the requirements of the national law applicable to the third party, may not be separated from those of the Intermediary, other clients of the Intermediary or financial instruments owned by the third party itself, consequently, such financial instruments may be subject to recovery based on the obligations of such third party, the Intermediary and / or other clients of the Intermediary, therefore, such financial instruments may be lost;
- the accounts used for keeping the clients' financial instruments may be subject to a law other than the law of the Republic of Lithuania, consequently, the rights granted to the client subject to the financial instruments thereof may change;
- the custodian (depositor) or sub-custodian of financial instruments may have the rights to ensure the fulfilment of obligations, retain assets, or set off counterclaims in respect of financial instruments.

In accordance with the procedure established in the contracts with the client, the Intermediary has the right to direct one's claims to the client to the client's financial instruments, both in cases where they are provided to the Intermediary as collateral, and in cases where they are not provided as collateral, when the client does not fulfil one's obligations to the Intermediary and there is no cash in the client's accounts, thus resulting in the inability of the Intermediary to satisfy one's claims to the client by realising the corresponding part of the financial instruments belonging to the client. Both the Intermediary and third parties keeping the client's financial instruments may use such financial instruments to set off claims related to fees for services, including asset custody services, which may result in a decrease in the clients' assets.

The Intermediary does not have the right to conclude agreements on securities financing transactions when the object of the agreement is financial instruments belonging to the client kept by the Intermediary, as well as to otherwise use financial instruments belonging to the client at one's own expense or at the expense of another client of the Intermediary, except in cases where the following conditions are met:

- the client has given the Intermediary explicit prior consent to use the financial instruments belonging to him / her under certain conditions. In the case of non-professional clients, consent must be confirmed with the client's signature or in another alternative manner;
- the use of financial instruments belonging to the client must be subject to specific conditions to which the client agrees.

The Intermediary does not have the right to enter into agreements on securities financing transactions, when the object of the agreement is financial instruments of the Intermediary's client kept in an omnibus account opened by a third party and serviced by the latter, as well as to otherwise use the financial instruments kept in such an account at one's own expense or at the expense of another client of the Intermediary, except in cases where, in addition to the two conditions mentioned above, at least

one of the following requirements is met:

- each client whose financial instruments are kept in the same omnibus account opened in the name of the clients has given express prior consent;
- the Intermediary must have appropriate systems and control measures in place to ensure that only those financial instruments are used that belong to clients who have given their express prior consent in accordance with the procedure set out in subsection above.

In case of bankruptcy of the custodians of financial instruments established under the law of the Republic of Lithuania, the clients of the Intermediary have the right to withdraw their financial instruments as their beneficial owners.

The consequences of the bankruptcy of custodians of financial instruments established under the law of another state in relation to the safekeeping of financial instruments of the Intermediary's clients are governed by the laws of the relevant state.

### **Custody of pecuniary means**

While keeping the pecuniary means belonging to the clients in Lithuania, the Intermediary takes measures to ensure the protection of the property rights of the clients and to prevent illegal use of the pecuniary means belonging to the clients. Clients' pecuniary means transferred to the Intermediary for the purchase of financial instruments and clients' pecuniary means following the sale of financial instruments owned by the client are the property of the client, which cannot be subject to recovery based on the obligations of the Intermediary, except when such pecuniary means are provided to the Intermediary and / or a third party that provides relevant services, such as ensuring the proper fulfilment of obligations.

The Intermediary, having received pecuniary means from clients, immediately transfers them to one or more accounts opened in one or more of the following institutions:

- Bank of Lithuania;
- in a credit institution licensed in the Republic of Lithuania or another member state;
- in a bank licensed in a third country.

Pecuniary means of a specific client may be kept in accounts opened with one or more custodians of pecuniary means approved by the Intermediary. Clients are not separately informed about which and what part of their pecuniary means transferred to the Intermediary are kept with a specific custodian of pecuniary means. The Intermediary makes the decision regarding the custody of pecuniary means or a part thereof with a specific custodian of pecuniary means at one's own discretion: no separate consents or confirmations from the client are required.

In all cases, the Intermediary will select a custodian of pecuniary means from publicly announced approved custodians of pecuniary means. Custodians of pecuniary means are selected and approved after assessing the risk of the counterparty. The Intermediary will seek to select reliable custodians of pecuniary means, but in all cases the risk of bankruptcy of the custodians of pecuniary means is assumed by the clients of the Intermediary.

The Intermediary keeps internal records of the pecuniary means of the Intermediary's clients in order to identify how much of the client's pecuniary means were kept by each custodian of pecuniary means at the end of a specific day.

When safekeeping the client's pecuniary means in a bank licensed in a third country:

- they may be kept in an omnibus account of the Intermediary's clients opened by the bank, which means that such client's pecuniary means may be kept together with the pecuniary means of the Intermediary's other clients;
- the accounts used for keeping the clients' pecuniary means may be subject to laws other than those of the Republic of Lithuania, which may change the rights granted to the client on the basis of the pecuniary means owned by him / her;
- the bank keeping the client's pecuniary means may use such pecuniary means to offset claims related to fees for asset custody services provided, which may result in a decrease in the clients' assets;
- the bank may have the rights to ensure the fulfilment of obligations, retain assets or set off counterclaims in respect of pecuniary means.

The Intermediary keeps the funds belonging to the clients in Lithuanian banks on the basis of trust and

seeks to have the contract with the bank include a statement that this bank account would be used for keeping the pecuniary means of the Intermediary's clients. The Intermediary acts as a fiduciary for the clients, by transferring clients' pecuniary means to the Intermediary's bank account opened in the name of the Intermediary but for the benefit of the clients. In the process of managing the client's (trustee's) property, the Intermediary, as a fiduciary, is subject to the principle of separation of assets and the provisions that the trustee (client) continues to be the owner of the property transferred by the title of trust.

However, there are no legal fiduciary relationships between the bank and the Intermediary's clients, therefore, the legal status of the funds of the Intermediary's clients does not fundamentally differ from the legal status of the funds transferred to the bank on the basis of the bank account agreement. Thus, the bank account opened for the benefit of the Intermediary's clients is considered an ordinary bank account where the bank has the right to dispose of the pecuniary means. Accordingly, the clients of the Intermediary, when the Intermediary transfers their pecuniary means to the Intermediary's account, which is opened for the benefit of the clients in any bank, lose ownership title of those pecuniary means, but acquire the right of claim refund of the corresponding amount of funds from the bank. In the event of bank bankruptcy, the pecuniary means of the Intermediary's clients are included in the total mass of the bank's assets, from which the claims of all the bank's creditors (including the Intermediary's clients, who are recognised as bank creditors) are satisfied in accordance with the procedure and order established by law. This means that all clients' pecuniary means held at the relevant bank may be lost in the event of the bankruptcy of the relevant bank. The consequences of the bankruptcy of banks established under the law of another country in relation to the protection of pecuniary means of the Intermediary's clients are regulated by the relevant country's law and its application practices.

Clients' pecuniary means may be transferred to entities other than those listed above (e.g., other financial brokerage companies) both in Lithuania and abroad, when this is necessary for the provision of the Intermediary's investment services (trade in financial instruments).

When the client's pecuniary means are provided to the Intermediary as collateral, they are transferred from the client's (or joint clients') account to a bank account opened in the Intermediary's name and may be used by the Intermediary in the manner established in the Intermediary's contracts with the client. Pecuniary means provided by clients as collateral may also be transferred and held by the Intermediary with third parties both in Lithuania and abroad, including the fact that they may be provided to such third parties as collateral. In such cases, pecuniary means provided to the Intermediary or third parties as collateral (including margin payments, when such are required for trading certain financial instruments): (i) may be lost in full, depending on the financial result of the client's transaction; (ii) may be realised (including taking ownership thereof by the Intermediary or a third party) according to the procedure established by the legislations or valid contracts applicable to the Intermediary or the third party, as a result of which the client would no longer receive such pecuniary means. The Intermediary has the right to direct one's claims to the client to pecuniary means in accordance with the procedure established in the contracts with the client both in cases where they are provided to the Intermediary as collateral and in cases where they are not provided as collateral, however, the client does not fulfil one's obligations to the Intermediary.

### **Choice of custodians of financial instruments and pecuniary means**

The Intermediary selects custodians professionally, carefully and thoroughly by taking into account their experience and reputation in the market, the requirements established by Lithuanian and foreign legislations and market practice in order to ensure the safety of financial instruments belonging to clients and the funds allocated for their purchase or received after their sale. The suitability and reliability of custodians is regularly reviewed in order to ensure the rights of clients.

Eligible custodians are deemed to be only such third parties who can ensure (if the Intermediary does not ensure this on one's own) that the clients' financial instruments and pecuniary means intended for their purchase or received after their sale would be separated from the accounts of the Intermediary as well as personal accounts and other personal assets of clients' financial instruments and pecuniary means intended for their purchase or received after their sale held by the selected Lithuanian or foreign custodian.

Clients' assets transferred to the Intermediary are kept with one of the third parties specified in the list posted on the Intermediary's website at [www.orion.lt](http://www.orion.lt).

**Information on the insurance of deposits and liabilities to investors**

The Intermediary is a participant in the liabilities to investors insurance scheme of the Republic of Lithuania. Detailed information on insurance coverage of liabilities to investors is available on the Intermediary's website at [www.orion.lt](http://www.orion.lt)

In cases where clients' pecuniary means and / or financial instruments are kept by third parties outside the Republic of Lithuania, a different investor protection scheme may be applied to clients' assets in accordance with the applicable law or it may not be applied, taking into account the particularities of handling omnibus accounts established by third parties and / or competent authorities.