

**HSBC BANK ARMENIA CJSC**

**RULES ON BROKERAGE SERVICES IN SECURITIES MARKET**

Approved by the CEO of HSBC Bank Armenia CJSC on 20Dec2023

The Rules will enter into force starting from 22Jan 2024

Accordingly, the Rules approved on 10 Apr 2023 will be repealed

## Table of Contents

1. INFORMATION ABOUT THE BANK .....	3
2. CONCEPTS.....	3
3. INFORMATION PROVIDED TO THE CUSTOMER AND INFORMATION REQUIRED FROM THE CUSTOMER.....	5
4. PROFESIONAL AND NONPROFESIONAL CUSTOMERS CATEGORIZATION.....	5
6 THE PROCEDURE OF REGISTRATION AND REMOVAL OF THE CUSTOMER FROM QUALIFIED CATEGORIZATION .....	6
7 ACCOUNT OPENING AND CONTRACT SIGNING .....	7
8 INSTRUCTION FORM AND PROCEDURE OF SUBMISSION THEREOF.....	7
9 THE PROCEDURE OF EXECUTION AND SETTLEMENT OF TRANSACTIONS .....	9
10 THE PROCEDURE AND FORM OF PRESENTING TRANSACTION REPORTS TO THE CUSTOMERS .....	9
11 TARIFFS .....	10
12 INFORMING ABOUT POSSIBLE RISKS .....	10
13 SECRECY .....	10
13 CONFLICT OF INTEREST POLICY .....	11
15 COMPLAINTS .....	13
16 AMENDMENTS AND SUPPLEMENTS TO THE RULES.....	13
APPENDIX 1 .....	11
APPENDIX 2.....	12
APPENDIX 3.....	15
APPENDIX 4.....	16
APPENDIX 5.....	17
APPENDIX 6.....	17
APPENDIX 6.....	18
APPENDIX 7.....	19

## GENERAL PROVISIONS

These rules (hereinafter Rules) regulate the terms and conditions of providing Brokerage services by HSBC Bank Armenia CJSC (hereinafter the Bank) to legal entities in securities market.

The following Rules are an inseparable part of the "Agreement on provision of Brokerage Services" signed between the Bank and the Customer: the provisions of the Agreement supersede those defined by the Rules.

The Bank provides Brokerage services according to the Rules for the Government securities issued by Republic of Armenia that are freely circulating within the territory of Armenia.

Rules are drawn in accordance with the RA Civil Code, the RA Law "On Securities Market", the CBA (the Central Bank of Armenia) regulations and other legal acts regulating the activities in securities market, the Rules of RA Central Depository and RA Stock Exchange.

The Banks provides Brokerage Services solely to legal entities.

## 1. INFORMATION ABOUT THE BANK

Full name: [HSBC BANK ARMENIA Closed Joint Stock Company](#)

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Tel: (374-60) 655 500, Fax: (374 60) 655 501, E-mail: [hsbc.armenia@hsbc.com](mailto:hsbc.armenia@hsbc.com)

State registration: Registration number 67, 20<sup>th</sup> June 1995

License: Banking license number 67

Licensed by the Central Bank of RA

Address: str. V. Sargsyan 6, Yerevan, Republic of Armenia

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Along with banking services, "HSBC Bank Armenia" cjsc provides Brokerage and other investment services in securities market.

## 2. CONCEPTS

The concepts used in the Rules have the following meaning:

- 3.1 Brokerage services:** on behalf of the Bank and at the expense of the Customer or on behalf of the Customer and at the expense of the Customer making buying and selling transactions according to the Customer instruction presented to the Bank.
- 3.2 Securities:** Government Securities issued by Republic of Armenia that are freely circulating within the territory of Armenia.
- 3.3 Customer:** a legal entity Bank's customers with whom the Bank has signed "the Agreement on provision of Brokerage Services"
- 3.4 Responsible staff:** a person who provides Brokerage services (buying/selling of securities) within and on behalf of the Bank, accepts, transfers and processes Customer instructions.
- 3.5 Servicing staff:** a person who keeps records of Customer securities on behalf of the Bank and provides reports stipulated herein on the transactions executed upon their request.
- 3.6 Agreement:** a transaction signed between a person, who applied to the Bank in order to use the Brokerage services, and the Bank. The Agreement stipulates the procedure of signing/execution of transactions with securities and/or financial resources of the Customer, procedure on payment of fees and submission of reports to the Customer and the legal relations between the parties in connection with the above-mentioned actions.
- 3.7 Instruction:** a document provided by the Customer to the Bank, which is a legal ground for the Bank to execute a transaction on sale or purchase of securities with the Customer securities and/ or monetary amounts.
- 3.8 Order:** The Customer Instruction presented with the purpose to implement securities transaction which includes information on the volume, price, timing and other necessary information.

- 3.9 Queue:** a queue of given, but not yet executed Instructions by all Customers, which are to be executed as per the sequence of their receipt, taking into account transaction types and market conditions.
- 3.10 Market Order:** An order, which assumes execution of transaction set out in the Instruction by immediate sell or purchase of a security by existing market price.
- 3.11 Buy or Sell Limit Order:** An order which in case of purchase is executed by the price mentioned in the order or at a higher price (in case of sell is executed by the price mentioned in the order or at a lower price.)
- 3.12 Satisfy Order Completely:** An order which assumes the execution of transaction set out in the Instruction only if the amount of securities specified in the Instruction is bought or sold.
- 3.13 Satisfy Order Partially:** An order which assumes the execution of the Instruction partially including the unsatisfied part in the Queue.
- 3.14 Take the Residual Order:** An order which assumes the execution of transaction set out in the Instruction with the highest possible amount of securities and not including the residual in the Queue.
- 3.15 Day Order:** An order which assumes the execution of transaction set out in the Instruction by the price and quantity specified in the Instruction on the same or next day from the receiving the instruction, depends on the availability of the market, otherwise it must not be included in the Queue.
- 3.16 Good till Cancelled Order:** An order which assumes that the Instruction can be kept in the Queue till purchased or sold by the full amount specified in the Instruction if the customer does not present cancellation order.
- 3.17 Stock Exchange transaction:** a transaction executed in Stock Exchange according to the rules defined by the latter.
- 3.18 An over the counter transaction (OTC):** a transaction conducted out of Stock Exchange.

Other concepts used in the Rules have the meaning defined in the Law “On Securities Market”, CBA legal acts, other legal acts regulating the activities in securities market, the Rules of RA Central Depository.

**3.19 Qualified investors:** Qualified investors are

- a. investment companies, branches of foreign investment companies, banks, credit organisations, insurance companies, investment, pension funds and managers of investment companies, as well as legal persons registered in foreign states, which, pursuant to the legislation of the given state, are entitled to carry out activities of any person defined by this sub point;
- b. the Republic of Armenia, communities of the Republic of Armenia, the Central Bank, foreign states, local self-government bodies of foreign states, central banks of foreign states;
- c. international financial organisations, including the International Monetary Fund, European Central Bank, European Investment Bank;
- d. the person considered qualified investor by law or regulatory legal acts of the Central Bank based on the knowledge and experience of the given person in financial sector, his or her ability to hire specialists with relevant knowledge and experience, the amount of his or her net assets or the amount of assets under his or her management and other similar criteria;
- e. legal person, the participators (shareholders, unit holders) of which are persons specified in sub points “a-d” of this point.

Persons specified in sub points “d” and “e” of this point shall be considered qualified investors after the registration in the Central Bank in the manner prescribed by regulatory legal acts of the Central Bank.

- 3.20 Professional customer:** The customer who has enough knowledge and experience to make investment decisions and assess the risks associated with them.
- 3.21 Information Database:** The list of information on qualified investors registered with the Central Bank.
- 3.22** The other concepts used in the Rules have the meaning which is defined in the Law on Securities Market of RA, CBA regulations, other legal acts regulating professional activity in the securities market, RA Central Depository regulations clauses.

### **3. INFORMATION PROVIDED TO THE CUSTOMER AND INFORMATION REQUIRED FROM THE CUSTOMER**

- 4.1. The Customer must immediately present the Bank the amendments or additions to the documents previously submitted to the Bank. The Customer must also timely inform the Bank about the changes in the communication details or the authorities in executing deals by securities account. The Customer bears the risk of adverse consequences arising out of non-provision of the information on above-mentioned amendments/changes in timely manner, whereas the Bank bears no responsibility, including, but not limited to, for Customer's failure to receive the reports, statements on time and for the Customer's losses arising from the above mentioned failure.
- 4.2. The Customer can contact the Bank in Armenian, English and Russian languages. Brokerage services related documents and other information are provided to the Customer in Armenian and upon availability in English.
- 4.3. The Bank is obliged to provide the Customer with any information at customer request, which is subject to become public according to Law on Securities Market and other legal acts, in accordance with the order provided by thereunder.
- 4.4. The Banks is obliged to provide the Customer with information at Customer request about significant shareholders, directors, as well as about the authorities and responsibility areas of the directors.
- 4.5. The Bank relies on the information provided by a Customer wishing to use Brokerage services /the Customer except the cases when the Bank knows that the information is obviously obsolete, inaccurate or incomplete.
- 4.6. Brokerage Agreements are signed for indefinite time except of the case described in 4.7 paragraph.
- 4.7. The Agreement shall be considered as terminated
- a) If the Customer has not performed any transaction by his/her Security account within uninterrupted twenty-four months and if these accounts are held with zero balance or
- b) in case of absence of Security accounts, If the Customer has not performed any Brokerage transaction within uninterrupted twenty-four months.
- 4.8. In case of termination of the Agreement the securities and/or monetary amounts subject to transfer to the Customer based on Instructions submitted by the Customer, but not implemented by the Bank, shall be returned to the Customer or its representative within 3 (three) working days after such termination.
- 4.9. The Customer's notification about changes made in the Rules is sent in the way preferred by the Customer at least 20 (twenty) calendar days before the changes take effect. Unless otherwise instructed by the Customer, the notifications are sent to the Customer's e-mail address specified in the Agreement. Moreover, if the changes made to the Rules are public, a reference is made to the relevant source (web page/section/subsection) in the notification. If the changes are non-public, then a certified hard copy or Electronic version with the signature of the authorized person is provided.

### **4. PROFESIONAL AND NONPROFESIONAL CUSTOMERS CATEGORIZATION**

- 4.1 Prior entering into Brokerage Services Agreement and providing investment services to the customer the Bank classifies the customer as professional and nonprofessional. Prior to classifying the customer as professional the Bank informs the customer that some requirements defined by regulation would not apply to relationships between the Bank and that customer, presenting in essence such requirements.
- 4.2 The customers who give or does not give the consent to be qualified as professional in using investment services present the statement in written form to the Bank (Appendix 1).
- 4.3 Professional customers are,
- 5.3.1 linvestment companies, branches of foreign investment companies, banks, credit organisations, insurance companies, investment, pension funds and managers of investment companies, as well as

legal persons registered in foreign states, which, pursuant to the legislation of the given state, are entitled to carry out activities of any person defined by this sub point;

5.3.2 The Republic of Armenia, communities of the Republic of Armenia, the Central Bank, foreign states, local self-government bodies of foreign states, central banks of foreign states;

5.3.3 International financial organisations, including the International Monetary Fund, European Central Bank, European Investment Bank

5.3.4 The legal entities which meet at least two criteria below;

- As of the end of the year preceding entering into Brokerage Agreement date the Customer balance sheet value exceeds 500 million Armenian drams,
- The Sales turnover (according to RA Tax Law) as of the year preceding entering into Brokerage Agreement date exceeds one billion Armenian drams,
- At the point of entering into Brokerage Agreement as of the end of last month (in case of unavailability as of the previous month) the total capital of the Customer is 50 million Armenian dram.

5.4 According to the customer's initiative the Bank can categorize those customers as professional who satisfies at least two criteria below,

- 1) The customer has carried out 10 or more transactions in securities market at an average quarterly basis over the four quarters preceding submission of the application, moreover, the average value of one transaction is equal to at least one million Armenian dram.
- 2) At the moment of submission of application, the size of the customer securities portfolio exceeds 100 million Armenian dram.
- 3) The customer has at least 2 years of professional experience in the financial market, requiring the knowledge in the services the customer applies to be categorized as professional.

5.5 The Customer categorization for professional criteria by the Bank as per point 5.3 is valid if the assessment done by the Bank proves that the customer has the ability and knowledge to use investment services, take decisions and understand the risks arising from this activity. According to point 5.6 of the Rules the Bank has right not to request the knowledge and experience information from the customer.

5.6 The Bank has right not to request the information from the customer regarding its knowledge and experience if the transactions are done in the name of the Bank or customer and on customer behalf in the AMD denominated RA Government Bonds, which is defined in regulation 4/07 clause 36.

5.7 If the professional customer decides to be considered as nonprofessional and the Bank Agreement is in place in this case as per regulation requirements nonprofessional clauses are applied to customer (Appendix 1).

5.8 If the professional customer considers that he is not able to assess and manage the risks arising from investment activity the obligation of the professional customer is to refer to the Bank with request to consider himself as nonprofessional, which will allow the latest to be referred to regulation requirements which are applicable to nonprofessional customers.

5.9 Before entering into Brokerage Agreement with the professional customers or categorizing the customer as professional the Customer submits declaration that he is aware that in case of being categorized as professional some legal requirements would not apply to relationships between the Bank and that Customer (Appendix 1).

## **6 THE PROCEDURE OF REGISTRATION AND REMOVAL OF THE CUSTOMER FROM QUALIFIED CATEGORIZATION**

6.1 While entering into Brokerage Agreement with the professional Customer the Bank also requests the latest consent to categorize the customer as qualified investor. If the Customer consent is in place he signs the application to be considered as qualified investor provided by the Bank (Appendix 2).

6.2 Signed application is submitted by the Bank to Central Bank within 1 working day via CBAnet system.

6.3 Legal entity application should be signed by head of executive body or other authorized person.

- 6.4 From the point of registration, the customer is considered to be qualified investor.
- 6.5 Professional customers who sign qualified investors application in order to be removed from Information Database should be present to the Bank application in Appendix 3.
- 6.6 The Bank immediately but not later than during 1 working day presents the signed application to Central Bank via CBANet system.
- 6.7 The Bank shall provide information on the termination of the Customer's professional status, as well as on termination of the Brokerage Agreement with a professional Customer categorized as qualified investor, immediately, but not later than within 1 business day after the termination of the professional status.

## **7 ACCOUNT OPENING AND CONTRACT SIGNING**

- 7.1 After exchanging information mentioned in the clause 4 of the Rules, the Bank and a customer wishing to use Brokerage services sign the Agreement, following which within two business days' securities account for the Customer should be opened, according to the internal procedures of the Bank.
- 7.2 After signing the Agreement stipulated in the clause 7.1 of the Rules and opening a Securities account, the Customer can present Instructions to the Bank according to the procedure stipulated in the Rules by transferring the respective funds and/or securities in advance to the respective account with the Bank.
- 7.3 The principal signing the Agreement on behalf of the legal entity, should also present the list of authorized persons who can present Instructions on behalf of the Customer, the samples of their signatures and copies of documents certifying the identity (Appendix 7).
- 7.4 The Customer can appoint authorized person/persons, who will be eligible to present instructions to the Bank.
- 7.5 Upon giving the power of attorney the Customer must provide the documents stated by the Bank.

## **8 INSTRUCTION FORM AND PROCEDURE OF SUBMISSION THEREOF**

- 8.1 The Customer has to present to the Bank Instructions for executing transactions with securities according to the form specified in Appendix 4 of these Rules.
- 8.2 By mutual consent of the Bank and the Customer, other additional requirements for Customer instructions may be stipulated by the Agreement.
- 8.3 For processing the deals based on the order the Bank considers,
  - 8.3.1. Customer's professionalism or non-professionalism (Appendix 1),
  - 8.3.2. Conditions of customer's order
  - 8.3.3. Security characteristics mentioned in the customer's order (class, etc.)
  - 8.3.4. Specialties of the place (means) of transaction conclusion
- 8.4 For processing a deal with the Customer funds and/or securities, the Bank takes into account the Customer Order set out in the Instruction filled in according to Appendix 4 of the Rules and presented to the Servicing staff in hard copy (by presenting hard copies of documents signed by the Customer's authorized representatives), via electronic communication means agreed with the Bank and set out in the Agreement<sup>1</sup>.
- 8.5 When receiving the instruction in hard copy the Responsible staff checks the authority of the person presenting it. If the instruction is presented electronically the Responsible staff checks the compliance of the procedure of its submission with those stated in relevant agreements on electronic communication.

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<sup>1</sup> Electronic Instructions may be accepted only through an Authenticated e-mail address. Besides electronically presented Instructions suppose transfer of funds/securities solely between the accounts of the same Customer at the Bank. In the case, when the Instruction supposes transfer of funds/securities to a third party, it should be presented in hard copy (except the electronic Instructions, which were given through SWIFT, CBA Net systems). After receiving an electronic Instruction, the Responsible staff, before processing the Instruction, can confirm it with one of the Authorised persons of the Customer via recordable telephone. If it is not possible to contact the Customer via recordable telephone the Bank has the right to cancel the Instruction.

- 8.6 Customer's instruction in hard copy is presented in two copies, one of which is kept by the Bank while the other one is signed by the Responsible staff and returned to the Customer with the note: "The instruction is accepted and will be processed if certain requirements are met". The clauses/cases when the Bank may reject to process the instructions are stipulated in the clause 8.12 of these Rules.
- 8.7 When the Customer Instruction is sent electronically, the Responsible staff sends the Customer a corresponding electronic message stating the decline or approval of the instruction.
- 8.8 The Customer Instruction is considered to be presented at the moment it is accepted by the Bank. The hard copy Instruction is considered to be accepted by the Bank when the Bank Responsible staff returns to the Customer the signed Instruction. The electronically presented Instruction is considered to be accepted by the Bank, at the moment the Bank sends the Customer a confirmation message stating the receipt of the Instruction.
- 8.9 After accepting the Instruction, the Responsible staff processes it or sends for processing to another Responsible staff of the Bank, in particular:
- The instruction will be processed on the same business day if it is accepted by 14:00. If the implementation of the instruction assumes transfer/deposit of resources (securities and monetary funds) to the technical account of Stock Exchange, then the Instruction is processed during the next business day.
  - The instruction, accepted by the Bank after 14:00, will be processed during the next working day.
- 8.10 If it is possible the Bank will process the Instructions within the same business day.
- 8.11 Before processing the Customer Instruction received via hard copy, electronically, the Bank's employee checks its validity. The checking process must include at least verification/comparison of the signature and the seal (if any) with the samples provided to the Bank. If the amount mentioned in the Instruction exceeds the limits stated in the Bank's internal procedures, additional confirmation from the Customer will be requested by telephone.
- 8.12 The Bank has the right to reject to process the Customer's Instruction if:
- 8.12.1 There is a doubt of inconsistency in the identification documents of the Customer (Authorized person),
  - 8.12.2 The Instruction is presented with corrections or doesn't comply with the form presented in the Appendix 4 of the Rules or is presented with violations of the agreed procedures,
  - 8.12.3 There are no corresponding funds or securities on the Customer's Bank account or securities account or on the accounts of the Bank stipulated in the Agreement in case of absence of the Customer account with the Bank,
  - 8.12.4 The instruction is given for those funds/securities which are under the lien of third parties or are under hold,
  - 8.12.5 The Customer Instruction contradicts the Customer's investment aims,
  - 8.12.6 The Instruction is inconsistent with the Agreement and/or the Rules or RA legislation and legal acts,
  - 8.12.7 There are other reasons specified in the Agreement.
- 8.13 The Customer can cancel or make amendments in the Instruction, changing the price, value date, quantity or other conditions until it is not processed by the Bank or in case if a transaction is signed based on such Instruction a possibility of signing transactions in future is not exhausted (in such cases cancellation/amendments may refer only to transactions to be signed in future).
- 8.14 For cancellation of the Instruction or making amendments therein the Customer should present the Bank an Instruction filled in the form specified in Appendix 6 in accordance with the similar process for submission of Instructions.
- 8.15 The Bank preserves the right to reject to process the Instruction, if its performance is impossible due to market conditions, business practice, etc.
- 8.16 If the Bank refuses to process the instruction, it immediately informs the Customer by sending the respective rejection message or advice.

## 9 THE PROCEDURE OF EXECUTION AND SETTLEMENT OF TRANSACTIONS

- 9.1 The Bank implements the Customer Instruction or transfer it to third parties for execution only in case necessary funds and/or securities for transaction settlement as per Customer Instruction and the implementation of the customer liability towards the Bank are available on the customer account.
- 9.2 Before execution of the transaction based on the Customer Instruction presented to the Bank and accepted by the latter, the Bank puts a hold on the monetary funds and/or securities, necessary for implementation of the transaction.
- 9.3 The Bank executes the deals:
  - 9.3.1. In the RA Stock Exchange by presenting buy/sell offers during the trading hours in the Stock Exchange,
  - 9.3.2. In RA Over the counter (OTC) market by presenting buy/sell offers out of Stock Exchange,
- 9.4 The OTC deals are executed and processed according to the RA legislation of the Securities Market.
- 9.5 In order to execute the Instruction, the Bank at its discretion can also involve other organizations such as securities market professional participants, as well as use Electronic commerce systems provided by local organizations (Armenia Securities Exchange).
- 9.6 The Bank can execute the deal in parts if it is not specified otherwise in the Instruction.
- 9.7 Sale/purchase Limit Orders are being executed by the Bank depending on the current market situation.
- 9.8 The Bank should take all reasonable steps to fulfill customer's order in the best possible conditions for customer, taking into consideration the price, expenses, terms (speed), possibility of order fulfillment and settlement, total value of the order, nature of the order and other factors connected with the order fulfillment. For this purpose, those investment services providers, which perform transactions based on customer's order, should elaborate policies for order fulfillment.
- 9.9 It is supposed, that investment services provider has taken all reasonable steps to fulfil the order in the best possible conditions for the customer, if that entity fulfils the order or the specific conditions of that order, following the specific instructions given by the customer.
- 9.10 If investment services provider takes steps to decide the best conditions for the fulfillment of customer's order, and tries to choose between the different places for transaction conclusion, then it should choose that place for transaction conclusion, which would impose minimum total expenses on the customer in case of order fulfillment.
- 9.11 Other orders with equal terms should be executed by the first accepted-first serviced principle, except where this is impossible due to specifics of the order or situation on the market.
- 9.12 For the sake of ensuring the best results the Bank can combines its and the Customers orders or the transaction of the Bank's behalf with the customer order and execute them, if;
  - It does not bring worse results for any customer in comparison with if it would be implemented separately
  - In general, it is of customer interests
- 9.13 If the Bank combines the customers' orders with the ones on the Bank's behalf, then in case of the partial satisfaction of that order the preference is given to the Customer, with the exception if other clauses are not stipulated by the Agreement.

## 10 THE PROCEDURE AND FORM OF PRESENTING TRANSACTION REPORTS TO THE CUSTOMERS

- 10.1 After execution of each security buy/sell transaction and before the end of the next working day the Servicing staff presents the Customer a report (current report) on execution of the transaction via communication means initially agreed with the Customer: the reports shall comprise the information defined by RA legal acts and the Bank's Rules.
- 10.2 If the Customer's Instruction is executed part by part, the Bank shall provide the Customer with reports on execution of the Instruction for each part.

## 11 TARIFFS

- 11.1 The tariffs/commissions for Services herein are defined by the Bank and published on the Bank's website<sup>2</sup> and also presented in the Information Booklet for Investment Services. The Bank reserves the right to fix differentiated tariffs in Agreements with the Customer.
- 11.2 The Bank can unilaterally change the tariffs. The Customer is being informed about the changes via the Bank's website, where the amendments to the tariffs are being placed. The Bank's website shall also include a note about the date of placement of amendments. In the event of an **increase** in fees/commissions and other costs, the Customer's notification shall be sent by the Customer's preferred method. Unless otherwise instructed by the Client, notifications are sent to the Customer's email address specified in the Agreement. Moreover, if the changes made in the tariffs are public, a reference is made in the notification to the relevant source (web page/section/ subsection). If the conditions are non-public, then a certified hard copy or electronic version with the signature of the authorized person is provided.
- 11.3 The amended tariffs enter into force and become binding for Customer 20 (twenty) calendar days after notifying the Customer in accordance with the Rules and RA legal acts.

## 12 INFORMING ABOUT POSSIBLE RISKS

- 12.1 The risks associated with transactions in the securities markets. The Bank informs the Customer that each investment in securities bears a risk. The investments in securities are not guaranteed by the Deposit Guarantee Fund. While making transactions in the securities market (RA Government Bonds nominated in AMD) the Investors are exposed to the following risks:
- 12.1.1 **Market risk**, which is the risk of changes in the prices of financial instruments. The market prices of the securities and their variations are out of the Bank's control, due to which the Customer can lose in the value of the portfolio or even the whole portfolio if the former chooses to make investments in securities.
- 12.1.2 **Liquidity Risk**, which is associated with the risk of declining interest of other market participants to the given instrument. The liquidity of the given financial instrument depends on general market conditions, internal rules of Stock Exchanges and Trading Platforms, which can have a negative effect on the given financial instrument and correspondingly on the Customer portfolio.
- 12.1.3 **Legislation changes risk**. It is associated with actions taken by governmental organizations and other organizations regulating the markets due to which the Customer can incur losses.
- 12.1.4 **Infrastructural risk**. The risk is associated with workflow interruptions of depositories, stock exchanges, clearing organizations due to which the Customer can incur not refundable losses of assets (funds as well as securities).
- 12.1.5 **Other risks**. Investment activity is not limited to the risks mentioned above. The investment service may be also associated with other risks.
- 12.2 Risks associated with electronic transfer of information. The Customers are being informed that investment activity bears risks associated with electronic nature of transfers such as, absence of reliable connectivity, possibility of problems with electricity or software, etc. The Bank bears no responsibility on the interruptions of electronic trade systems incurred by actions of third parties. The Bank also bears no responsibility if due to the actions of third parties the information transferred between the Bank and the Customer becomes accessible to third parties.
- 12.3 After receiving information about the possible risks associated with the investment services Customer signs Customer Notification Form on possible risks arising from investment services presented in the Appendix 5.

## 13 SECRECY

- 13.1 The Bank staff is obliged to insure the secrecy of the information on Customers' accounts. The following information is considered as secret:

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<sup>2</sup> <https://www.business.hsbc.am/en-gb/investment-services/brokerage-services>

- The information about the Customer,
- The information about the Customer securities account,
- The information about the activities conducted on the Customer's securities accounts,
- The information about Customer instructions,
- Other information, which is considered secret by the Customer request, Contract or provisions stipulated by RA legislation.

13.2 The information on the securities account with the Bank can be provided only to the Customer, his/her Authorized representative, to other persons stipulated by RA legislation to ensure implementation of the Customer rights arising out of securities. The Customer hereby agrees that the Bank uses the Customer's electronic mail address, mobile phone number and other communication details for the purpose of sending to the Customer informative and advertising materials related to the services rendered by the Bank. The Customer hereby agrees that for the purpose of processing the Customer's data the Bank may use the services of HSBC Group member or other companies and shall be entitled to transfer to the later such data. The Customer's data shall be protected in accordance with privacy and security procedures of HSBC Group irrespective of whether such data is processed in or outside the territory of the Republic of Armenia and may be used only according to the instructions of the Bank. The Bank shall be liable for any losses incurred by the Customer if such losses result from negligence/breach of data protection privacy and security standards by these companies.

13.3 The Bank shall be entitled to collect the Customer's data and provide to HSBC Group member companies and foreign competent authorities for the purpose of ensuring financial crime risk management activity and tax compliance obligations. The procedure and terms of collection and usage of subject information is stipulated in a document "Collection and use of Customer information (Financial crime risk management and tax compliance)- terms and conditions", which is inseparable part of the Rules and is available on the Bank's website<sup>3</sup>

### 13 CONFLICT OF INTEREST POLICY

14.1. The following types of conflicts of interest may arise while the Bank provides investment services:

- 14.1.1 Executing security trading transactions with Customer at prices different from the market prices where the Bank or its employee will have financial gain and Customer will incur losses
- 14.1.2 Sale/buy of securities to/from the client at high/below-the-market prices from the security portfolios of other client, Bank employees or the persons related to the Bank and/or its employees, without considering the investment goals of Customer and the instruction terms provided to the Bank
- 14.1.3 Execution of explicitly unnecessary or unfavorable transactions at the account of Customer with the sole purpose of earning commissions
- 14.1.4 Using insider information disclosed by the Customer in order to gain benefit for the Bank, the Bank employees or other related persons, to the detriment of the Customer,
- 14.1.5 Any other transactions with the securities, which are for the benefit of one Customer and to the detriment of another.

This list by no means covers all possible conflicts of interest arising during investment activities. Other conflicts of interest may arise which are not listed herein.

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<sup>3</sup> [link- https://www.business.hsbc.am/en-gb/liquidity-liability-and-investments/terms-and-conditions](https://www.business.hsbc.am/en-gb/liquidity-liability-and-investments/terms-and-conditions).

## 14.2. PREVENTION OF CONFLICT OF INTEREST DURING PROVISION OF SERVICES

14.2.1 The Bank takes the following measures to prevent potential conflicts of interest:

14.2.1.1 Any transaction of the client should be executed only based on a properly completed order.

14.2.1.2 No transaction should be executed which is likely to adversely affect the interests of the client.

14.2.2 To avoid situations, where a conflict of interest may arise, the Bank staff is obliged:

14.2.2.1 Not to offer the Customers to purchase investment products as a result of which the Bank will gain profit and the Customer by not being able to evaluate the possible risks will incur losses.

14.2.2.2 Not to offer the Customer to sell the portfolio with the conditions not favorable for the Customer abusing the advantages of being informed in order to gain profits for the Bank.

14.2.2.3 Not to offer the Customer to buy particular investment products, which are not suitable for the Customer, but special sales targets are set for the Bank's staff for the sales of those products.

14.2.2.4 Not to offer a Customer to purchase investment products by letting another Customer to sell his products in the narrow market conditions and earn profit.

14.2.2.5 Not to offer the Customer to purchase newly issued securities in order to fulfill the Bank's obligation towards an issuer or an underwriter, that is not suitable for the Customer.

## 14.3. PROTECTION OF CLIENT INTERESTS

14.3.1. While making transactions on the securities market, the Bank acts in the best interests of the client.

To protect the client's interests, the respective employees of the Bank are required to:

14.3.1.1. Comply with the requirements of the Armenian legislation, internal regulations and bylaws of the Bank, as well as rules of working and professional ethics,

14.3.1.2. Avoid any transactions that are contrary to the client's interests and which will result in increase of fees and other charges in the outcome,

14.3.1.3. While making transactions with the client's funds on behalf of the client or on its own behalf, the Bank and the respective employee take measures to make sure that such transactions are objective, timely and accurate. Such actions should make it possible to serve other Client orders with equivalent conditions on first-come, first-served basis and forthwith inform the client about the material constraints or negative circumstances which make the precise execution of the client's order impossible.

14.3.1.4. Provide investment and non-basic services on a proper professional level, accurately and attentively, acting in good faith, in clients' interests,

14.3.1.5. Abstain from concluding transactions that may cause conflict of interests between itself and its clients, when it is impossible, give preference to the interests of clients,

14.3.1.6. While providing investment and non-basic services, take adequate measures to prevent a conflict of interests between itself and its clients or between its different clients, and when it is impossible, take measures to reduce them;

14.3.1.7. Carry out clients' assignment on the best possible conditions, taking into account the volume, price and due date of the transaction as well as characteristics arising from other essential conditions of the assignments,

- 14.3.1.8. In order to decide the best conditions of Customer Instructions and while choosing the place of executing the order, the preference must be given to the one where the Customer gross expenses will be the minimum (e.g. security price, fees order processing, etc.)
- 14.3.1.9. To place the interest of the customer before the interest of the Bank and avoid entering into transactions which can negatively affect the Customer or the Bank.

14.4. The Bank staff is prohibited to

- 14.4.1. Advise the client to conclude a transaction, knowing beforehand that concluding of such transaction does not proceed from interests of the client or that the transaction, within the meaning of RA Securities Law, is being concluded for the purpose of price manipulations,
- 14.4.2. Conclude at own expense transactions with securities at price that is the favorable in comparison with the price mentioned in the client's Instruction with the same securities, before the implementation of all such instructions given by the client on the aforementioned securities, as well as execute transactions at own expense, if the person providing investment services is aware that the client plans to give an Instruction to execute similar transactions, or if they may in any other manner cause damage to the client,
- 14.4.3. Execute speculative transactions based on the information received from the Investors,
- 14.4.4. The Bank Executives and staff are prohibited to be involved in market manipulation.
- 14.4.5. In no case the secret information received from a Customer can be used for the benefit of the Bank or for any other person without the permission of the Customer.

## **15 COMPLAINTS**

**15.1** The complaints related to the Brokerage Services of the Bank are accepted and discussed according to the "HSBC Bank Armenia CJSC Customer Complaint Handling" Procedure.

## **16 AMENDMENTS AND SUPPLEMENTS TO THE RULES**

- 16.2 The Bank unilaterally makes amendments and supplements to the Rules.
- 16.3 The Bank notifies the Customer about all changes and additions made by the Bank to the Rules in the manner and within the time limits specified by clause 4.9 of the Rules. Moreover, the revised Rules are also posted on the Bank's website, with mandatory note on the date of posting these changes.<sup>4</sup>
- 16.4 In case of amendments and/or supplements, made to the valid legislation, the Bank shall be guided by these amendments and/or supplements until the adjustment of the Rule to the requirements of the new legislation.

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<sup>4</sup> In case of discrepancies between the Armenian and English versions of these Rules, the Armenian version shall prevail.

## DECLARATION ON CLASSIFICATION OF CUSTOMER/S IN TERMS OF PROFESSIONAL OR NON-PROFESSIONAL CATEGORIES IN THE COURSE OF BROKERAGE/INVESTMENT SERVICES

According to Customer initiation the Bank can categories those customers as professional who meets at least two criteria below,

- ☐ The customer has carried out 10 or more transactions in securities market at an average quarterly basis over the four quarters preceding submission of the application, moreover, the average value of one transaction is equal to at least one million Armenian dram.
- ☐ At the moment of submission of application, the size of the customer securities portfolio exceeds 100 million Armenian dram.
- ☐ The customer has at least 2 years of professional experience in the financial market, requiring the knowledge in the services the customer applies to be categorized as professional.

Based on the above

During the course of receiving custody/investment services the ----- company hereby:

- ☐ gives consent to be categorized as a professional customer
- ☐ does not give consent to be categorized as a professional customer.

We are informed, and we accept thereon, that certain requirements aimed at legislative protection of customers will not be applicable if we are categorized as professional customers, and for that reason we will be deprived from protection to a certain degree. Namely, we are aware that if registered in Central Bank's Information Database of Qualified Investors, we may no longer fall under the legislative requirements aimed for the protection of investors.

Customer Name, Surname

Passport Number

Signature

Seal

For Bank use only

Signature verified

Authorized staff Name, Surname, Signature

APPLICATION OF PERSON FOR REGISTRATION AS  
QUALIFIED INVESTOR

Approved by the Republic of Armenia Central Bank Board  
Resolution No 69-N, March 11, 2008

## PART A

To: The Central Bank Chairman

Dear Mr.: -----

**I. In case of meeting Regulation 4/07 14.4) requirement, below stated**

I, -----(company name of legal person of qualified person), -----  
-----

certify that I meet at least two of the following criteria provided below, particularly,

- ☐ I have carried out 10 or more transactions in securities market at an average quarterly basis over the four quarters preceding submission of the application, moreover, the average value of one transaction is equal to at least one million Armenian dram.
- ☐ At the moment of submission of application, the size of my securities portfolio exceeds 100 million Armenian dram.
- ☐ I have at least 2 years of professional experience in the financial market, requiring the knowledge in the services I applies to be categorized as professional.

**II. In case of meeting Regulation 4/07 14.1 requirement, below stated**

I, -----(company name of legal person of qualified person), -----  
-----

certify that I meet at least two of the following criteria provided below (put a check mark in respective sell), particularly,

- ☐ I have carried out 10 or more transactions in securities market at an average quarterly basis over the four quarters preceding submission of the application, moreover, the average value of one transaction is equal to at least one 500000 Armenian dram.
- ☐ At the moment of submission of application, the size of my securities portfolio exceeds 100 million Armenian dram.
- ☐ I have at least 1 years of professional experience in the financial market, requiring the knowledge in the services I applies to be categorized as professional.

**III. In case of meeting RA Securities Law Article 3 clause 23-point e requirement, below stated**

I, -----(company name of legal person of qualified person), -----  
-----

certify that I meet at the criteria below,

- ☐ To be registered in the Central Bank in accordance with RA Law on Securities as qualified investor.

We are informed, and we accept thereon, that certain requirements aimed at legislative protection of customers will not be applicable if we are categorized as professional customers, and for that reason we will be deprived

from protection to a certain degree. Namely, we are aware that if registered in Central Bank's Information Database of Qualified Investors, we may no longer fall under the legislative requirements aimed for the protection of investors.

Please register us as a qualified investor in accordance with the Republic of Armenia legislation.

Applicant (authorized representative of applicant) name and surname -----

I certify that I am authorized on behalf of -----

(company name of legal person of qualified person)

to submit this application to the Central Bank for registering him as a qualified investor (this line shall be filled out in case if authorized representative is available).

Signature of applicant (applicant's authorized representative). In case of submission of application in electronic form, signature of the applicant (applicant's authorized representative) is not required. -----

Date -----

\* put a check mark«V» in case of meeting criteria

## INFORMATION

The Central Banks shall place information from Part B in the Database of the qualified investors which can be provided to issuers.

According to the Republic of Armenia Law "On Securities Market", in case of registration in Database of the Central Bank for Qualified Investors there is no obligation to publish Prospectus for Issuer who offers you securities. Therefore, any rights that may accrue from Prospectus will not apply to you.

A letter will be send to you at the address indicated in this document, informing that you are included in Database of the Central Bank for Qualified Investors.

Registration of a qualified investor shall be in force by June 30 of the year following the submission of application, unless you applied for revocation by an earlier period. This clause is not applicable to the qualified investors which are registered as qualified investors via investment services providing entity. In this case, your registration as qualified investor is valid until you are a professional customer of this particular investment services providing entity or till the time when then the you via investment services providing entity present application to Central Bank to be deregistered from Information Database.

Your obligation is to inform Central Bank that you no longer meet the regulation requirements of being categorized as qualified investor. This clause is not applicable to the qualified investors which are registered as qualified investors via investment services providing entity (in this case the changes are presented to Central Bank via this investment services providing entity).

In case if any information is changed, you may apply to the Central Bank with a request on making relevant changes to the Database. This clause is not applicable to the qualified investors which are registered as qualified investors via investment services providing entity (in this case the changes are presented to Central Bank via this investment services providing entity).

Name and surname of the qualifying  
legal person

Name and surname of the qualifying  
legal person

Place of residence (address), including  
phone number

E-mail address

Date -----

APPLICATION OF QUALIFIED INVESTORS FOR DEREGISTRATION

To: The Central Bank Chairman

Dear Mr.: -----

Please remove me/us \_\_\_\_\_ from Database of the Central

(name of physical/legal person, registration number in Database)  
Bank for Qualified Investors, in accordance with the Republic of Armenia legislation.

Applicant (authorized representative of applicant) name and surname -----

----

I certify that I am authorized on behalf of----- to submit this application to the

(Company name of legal person of qualified person)  
Central Bank for removing him from the Database of qualified investors.

Signature of applicant (applicant's authorized representative). In case of submission of application in electronic form, signature of the applicant (applicant's authorized representative) is not required. -----

Date -----

### Securities Buy/Sell Instruction Instruction N

Instruction Date (D, M, Y, H, M) \_\_\_\_\_

Contract Number and Date \_\_\_\_\_

Customer Depo Account number \_\_\_\_\_

Customer Name, Surname, Passport Number \_\_\_\_\_

Customer Account Number \_\_\_\_\_

#### Order Conditions

- ☐ Market Order
- ☐ Buy Limit Order
- ☐ Sell Limit Order

#### Quantity Conditions

- ☐ Satisfy Completely
- ☐ Satisfy Partially
- ☐ Take the Residual

#### Time Conditions

- ☐ Day order
- ☐ Good till cancelled
- ☐ Good till date

N	Issuer Name	Security Class	Bid Type (Stock Exchange, Over the Counter or other Not Regulated Market )	Deal Type (Buy/Sell)	Number of Securities	Security Face Value	Securities Price (Buy/Sell)

Customer \_\_\_\_\_

Instruction is accepted \_\_\_\_\_

Seal

(Signature)

(Signature)

Բանկի օգտագործման համար / For Bank use only

1. Signature verified
2. Customer's instruction is in line/ out of line with customer's investment aim and experience.

Authorized staff Name, Surname, Signature) \_\_\_\_\_

**Հաճախորդի Շանուցման Ձ- 1**  
**Customer Notification Form 1**

Ես՝ ներքոստորագրյալս, սույնով հաստատում եմ, որ Բանկի կողմից մանրակրկիտ տեղեկացվել եմ և հասկացել եմ Ներդրումային ծառայություններից օգտվելու արդյունքում առաջացող հնարավոր հետևանքների և ռիսկերի մասին:

Hereinafter I confirm that I was informed in details by the Bank and understood with regards to all possible results and risks which may rise when using the Investment Services of the Bank.

Հաճախորդի Անուն, Ազգանուն/ Անվանում \_\_\_\_\_  
Customer Name, Surname

Անձնագրի Համար \_\_\_\_\_  
Passport Number

Ստորագրություն \_\_\_\_\_  
Signature

**Կ.Տ.**  
Seal

Բանկի օգտագործման համար / For Bank use only
Հաճախորդի ստորագրությունը վավերացված է / Signature verified
(Բանկի լիազորված աշխատակցի անունը, ազգանունը, ստորագրությունը / Authorized staff Name, Surname, Signature)

Please cancel the instruction N: \_\_\_\_\_ presented to “HSBC Bank Armenia” cjsc on \_\_\_\_\_

(Date, Time)

According to the Brokerage Services N: \_\_\_\_\_ Agreement with the details provided below:

N	Issuer’s Name	Securities Class	Transaction Type (Stock Exchange, Over the Counter/ other not regulated market)	Deal Type (Buy/Sell)	Number of Securities	Securities Face Value	Securities Price (Buy/Sell)

\_\_\_\_\_  
Customer Name, Surname/Name:

\_\_\_\_\_  
Customer Signature

\_\_\_\_\_  
Date:

**Կ.Տ.** Seal

<p><b>Բանկի օգտագործման համար / For Bank use only</b></p> <p>Հաճախորդի ստորագրությունը վավերացված է / Signature verified</p> <p>_____ (բանկի լիազորված աշխատակցի անունը, ազգանունը, ստորագրությունը / Authorized staff Name, Surname, Signature)</p>
--

Customer may not complete the information in the table above if all bids are subjected for cancellation.

## Legal Entity's Authorized Persons List for Investment Services

Authorised Person Name	ID details	Position	Contact Details	Signature Sample

In the scope of investment services, the authorised persons have the right to:

- present Investment
- sign applications and agreements
- receive statements, notifications and other documentations
- other (to be specified):

This instruction is valid up to three years.

Company Name

Principal Name, Surname \_\_\_\_\_

Position \_\_\_\_\_

Signature \_\_\_\_\_

Seal

Valid till