



HAITONG

REGULATION No. COM12.R45

Market Control Regulation of Haitong Bank, S.A.

Approved by the Board of Directors
on 25/06/2024

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1. OBJECTIVE

An efficient, integrated and transparent financial market requires the integrity of the market participants. Market abuse situations harm the integrity of financial markets. The current legislation about market abuse prevention reinforces accountability in case of an attempt of manipulation and ensures that market participants have further legal security. This Regulation aims to ensure that the Bank's conduct, as well as the conduct of its corporate bodies and employees, complies with the rules applicable to the activities related to the securities market concerning the detection and prevention of situations that may be considered market manipulation. The purpose of the Market Control Regulation ("**Regulation**") is to set up:

- i. The main rules, in accordance with the legal framework and governing principles, for the actions of the Compliance Department of Haitong Bank, S.A. ("**Bank**") when monitoring financial markets activities pursued within the Bank in light of market abuse concerns.
- ii. Identify, clarify, and formalize the principles applicable to these activities.
- iii. Assure that the Bank is in full compliance of all laws and regulations regarding market abuse in all geographies in which it develops financial activities.
- iv. As the Regulators in the EU have put the weight of the initial steps for the detection of market abuse situations on the financial intermediaries it is required that the Bank has the adequate means for the identification, analysis and reporting of suspicious transactions.
- v. This duty includes all financial activities that are carried out by the financial intermediaries either in regulated markets or in OTC (Over the Counter), as well as activity that is routed to other financial intermediaries for execution.

Procedures related to this regulation:

- 253 – Market Control

2. LEGAL FRAMEWORK

This Regulation is subject to the following laws, regulations and other guidelines:

- Regulation (EU) 596/2014 (Market Abuse Regulation).
- Commission Delegated Regulation (EU) 2016/957 of 9 March 2016.
- Commission Delegated Regulation (EU) 2017/576 of 8 June 2016.
- Directive 2014/65/EU of the European Parliament and of the Council.
- In Portugal, the Securities Code (Código dos Valores Mobiliários).

- In Spain, the Ley 6/2023, de 17 de marzo, de los Mercados de Valores y de los Servicios de Inversión.;
- In Poland, the Act of 29 July 2005 provides guidelines on Trading in Financial Instruments.
- In the United Kingdom, the Financial Services and Markets Act 2000 sets the types of conduct that can lead to market abuse. The Financial Conduct Authority provides guidance and regulations on market abuse.
- In Macau, Directive on the Launch and Distribution of Financial Products (Circular nº. 033/B/2010-DSB/AMCM).

3. RECIPIENTS

- a. The content of this Regulation represents a minimum standard that shall apply to the Bank and its subsidiaries and branches (“Haitong Bank Group”), where order transmission and execution is takes place.
- b. In case of conflict between any provision of this Regulation and the local laws and regulations applicable to any Bank's subsidiary or branch, the relevant local laws and regulations shall prevail.

4. RESPONSIBILITY AND MONITORING

- a. This Regulation was prepared by the Compliance Department.
- b. This Regulation is approved by the Board of Directors.
- c. This Regulation should be reviewed by the Compliance Department every two years or whenever necessary to comply with applicable rules.

5. MARKET CONTROL GOALS

- i. Acquire and implement effective tools for detecting and preventing situations that may be considered as insider trading and market manipulation.
- ii. Have a deep knowledge of all systems used by Haitong Bank in financial activities in order to be able to effectively identify irregularities regarding financial intermediation and market manipulation.
- iii. Procure to monitor and analyse all of the trading activities of the Bank. This analysis includes the activities of the Bank and its branches and subsidiaries, in all geographies.
- iv. Provide training to all Bank employees in order to be able to promptly identify situations that may be considered as market manipulation, or inside information in order to prevent it and solve it .
- v. Ensure that the Bank's regulations and procedures regarding financial intermediation are duly followed by the respective areas involved.
- vi. Report any potential market abuse, or inside information situations to regulators, after duly analysed, assessed and documented.
- vii. Identify flaws in the monitoring measures implemented and duly correct such flaws.
- viii. Analyse instructions and mandatory reports referring to financial intermediation in order to ensure compliance with such reporting and the accuracy of the information sent.
- ix. Detect, prevent, and manage situations that may be considered a conflict of interest in the activities of the Bank and its clients regarding financial intermediation.

x. Ensure the enforcement of the internal rules regarding the following procedures and regulations:

- Procedure no. 253 – Market Control Surveillance.
- Procedure no. 202 – Market Soundings.
- Procedure no. 152 – Reception and Transmission of Orders.
- Regulation no. 12 – Order Transmission and Execution Regulation.
- Other relevant Procedures/Regulations.

6. MARKET MONITORING

6.1 - Activities in scope

| Department | Activity | Clients Type |
|------------------------------|---|--|
| Fixed Income activity | Provide a professional, differentiated and high-quality product and service to institutional and corporate clients, as well as provide Haitong Bank with a strong multi-client and international distribution platform. Is also responsible to manage Haitong Banking books in accordance with investment policies established by Excom. With dedicated Trading, Syndication, Distribution, the Fixed Income Division offers market-making services for corporate and sovereign debt securities, multi-product international distribution, for different products and tailor-made products for institutional clients. | Institutional and corporate clients |
| Corporate Derivatives | The asset classes covered are interest rates, FX and commodities. The Area provides Tailor-made solutions to Clients, so that they are able to optimize their Hedging strategy as much as possible against rising interest rates, exchange variations between payments and receipts of their products and in fixing the cost / sale price of raw materials. Maintains direct contact with Financial Directors and CFO's of the most prestigious listed and unlisted companies in Portugal, Spain, Poland and Brazil. | Institutional and corporate clients |
| Asset Management | The purpose of the Asset Management Division is to manage asset portfolios diligently with a view to obtaining the best possible results for the assets managed. | Portfolio Management - Individual Accounts & Institutional Clients |

| | | |
|------------------------|---|-------------------------------------|
| Capital Markets | The Capital Markets Division comprises origination, structuring and execution of market-oriented debt and equity instruments. The Bank provides its services to corporates, financial institutions, public companies and state-related entities. In the Debt Capital Markets (DCM) area, the Bank engages in structuring debt instruments, namely domestic debt issues and cross-border issues, especially related to China and other emerging markets, as well as hybrid products, project bonds and commercial paper programs. The Equity Capital Markets (ECM) area comprises privatisations, initial public offerings (IPOs), capital increases, takeover offers, private placements, block trades and delisting as well as equity-linked instruments, such as convertible bonds and equity derivative instruments for corporate clients. | Institutional and corporate clients |
|------------------------|---|-------------------------------------|

6.2 – Used Tools

Haitong Bank must ensure it has the appropriate tools to monitor and revise all the transactions made in all geographies, according to the activities developed in each of those geographies. In some cases, the Bank monitors the financial activities via automated systems.

These automated systems for monitoring market abuse are analytical business tools that filter the registration of transactions, conversations being made in the system and emails flow from all the employees of the Bank and of its clients , according to a pre-defined set of configurations. By using a pre-defined list of policies and settings, the automated system analyses all transactions and conversations that may raise suspicions of market abuse. These situations result in alerts that are duly analysed by the Compliance Department.

The main automated system used for the surveillance of the financial activities is Bloomberg Vault (Bloomberg) – System for analysing the emails, chats recordings archived in the Bloomberg system.

6.3 – Other Systems

- **Liqwin Consulta** – Presents all operations of Haitong Bank in regulated markets.
- **Cisco Unified Communications (Nice Toolbar)** – Presents phone conversations for the analysis of transactions made, within the scope of market soundings.

The automated monitoring systems for market abuse can be replaced by others in the futures as deemed adequate in order to improve the means used by the Compliance Department.

6.4 - Description of the situations monitored by the Bank's Tools

- **Bloomberg-Vault** – This system includes several configurations in the related policies that make the detection of alerts. Each policy was configured to obtain real alerts in the line of market abuse world. The drafted Policies are:

| Type of Policy | Classification Policy |
|--|------------------------|
| Custom Keyword (All Messages) | Custom |
| Customer Complaints | Conduct Risk |
| Customer Lists | Conflict of Interest |
| Gifts & Entertainment | Conduct Risk |
| Inappropriate Language | Conduct Risk |
| Inside Information - Issuers/Securities | Market Abuse |
| Internal Use Only (External Messages Only) | Non Public Information |
| Investment Advice Prohibition | Market Abuse |
| Personal Trading | Market Abuse |
| Watch List | Conflict of Interest |

Allows the compliance Team to effectively monitor and analyse the following situations:

- Analyse the content of conversations in order to certify compliance in the pre and post business stages.
- Analyse the content of conversations in order to prevent insider trading.
- Analyse the contact list in order to prevent and ensure a relationship only with the counterparties / clients duly registered and with an active profile on the Bank.
- Monitor cases of potential contacts that may not be duly registered or have a full KYC process within the Bank, to ensure that no dialogues are held that may represent insider trading and ensure that those contacts are trustworthy enough to be able to become potential clients in the future.
- Ensure the precision of information regarding transactions closed in these systems vs their registry in the front office systems “Ambit” or “Liqwin”.

The alerts that result from a prior setting of key words in the tool are duly analysed and, whenever deemed necessary, duly justified in order to ensure an effective control in preventing and identifying situations that may represent a case of market manipulation.

- **Liqwin Consulta** – The system is used to allow the Market Control team to have an online and real-time perception of the daily operations of Haitong Bank in the regulated market, and OTC (Over the

Counter) on behalf of clients, in order to ensure that no situations registered can be interpreted as market manipulation.

- **Cisco Unified Communications (Nice Toolbar)** – The system records all the calls made by the employees referred to it for this purpose and is used to analyse the telephone calls exchanged between the Bank's employees and its customers, whenever deemed necessary. These conversations are listened to, when there is a need to analyse a transaction or a market survey; the recordings from this system can also be analysed in a random basis as part of ad-hoc monitoring.

7. Annual publication by investment firms of information on the identity of execution venues and on the quality of execution

Information to be published by investment firms on an annual basis in relation to client orders executed on trading venues, systematic internalisers, market makers or other liquidity providers or entities that perform a similar function to those performed by any of the foregoing in a third country.

This report is published on the Bank's website on the first business day of each year. This document contains information on the orders received from its clients and executed in the trading platforms. It aims to inform about the identity of the platforms used and the quality of the execution.

8. REPORTING SUSPICIOUS TRANSACTIONS

Reporting suspicious transactions and defending the market are professional duties laid down by law. All the bank's employees involved in financial intermediation are subject to suspicious transaction reporting.

Employees are forbidden from providing information about the identification, analysis, disclosure, or suspicious of a market abuse situation to the related persons or to any person that is not involved in the respective identification, analysis or disclosure.

The bank's employees inform the compliance department whenever a suspicious transaction arises.

9. TRAINING

According to the legislation in force, the bank has to provide annual training on the minimum content to be mastered by employees who provide portfolio management services on behalf of others or provide information to investors on financial products and investment services, whether main or auxiliary, while also ensuring professional qualifications and skills for all.

The bank ensures that new employees who provide portfolio management services on behalf of third parties must have a minimum of 130 hours of training to ensure their knowledge, and ensures the ongoing training of its employees by organizing annual training sessions lasting no less than 30 hours for those who provide portfolio management services on behalf of third parties.

10. ARCHIVE

This Regulation, and all the documents associated, are subject to the general archiving rules laid down in the procedure PM220 – Archive Management.

11. DISCLOSURE

This Regulation is available on intranet and website and any change to the same should be duly communicated by e-mail to all the Bank's employees.

12. CONTROL OF VERSIONS

Table 1: Information about the Document

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|---------------------------------|--|
| Name of the Document | Market Control Regulation of Haitong Bank S.A. |
| Version | Version 2.0 |
| Prepared by (Name/Department) | Compliance Department |
| Endorsed by (Committee(s) name) | n.a. |
| Approved by (Committee name) | Board of Directors |

Table 2: Versions' update

| Approval and Update Date | Main Changes |
|--|--|
| Version 1.0 approved by the Executive Committee on 28 April 2020 | Original Version |
| Version 1.1. – approved by the Board of Directors on 15 September 2020. | Original Version |
| Version 2.0 - approved by the Board of Directors on 25 June 2024 | Update of the version with changes made in the context of the bank's activities (Closure of the Equities area in Portugal & Poland) and the inactivation of the use of the B-Next tool in the context of market abuse. |