

# **BPI Investor Handbook**

<b>I. INTRODUCTION</b>	<b>3</b>
<b>II. NATURE AND RISK OF THE FINANCIAL INSTRUMENTS</b>	<b>4</b>
<b>III. BPI GROUP'S POLICY ON BEST EXECUTION</b>	<b>15</b>
<b>IV. BPI GROUP'S POLICY ON ORDER AGGREGATION AND ALLOCATION</b>	<b>18</b>
<b>V. BPI GROUP'S CONFLICTS OF INTERESTS POLICY</b>	<b>20</b>
<b>VI. BPI GROUP'S POLICY ON SAFEGUARDING CLIENTS ASSETS</b>	<b>24</b>
<b>VII. CLIENT COMPLAINTS</b>	<b>28</b>
<b>VIII. INVESTMENT SERVICES AND ACTIVITIES IN FINANCIAL INSTRUMENTS</b>	<b>30</b>

## I. BPI INVESTOR HANDBOOK

BPI Investor Handbook is a document drawn up by Banco BPI, S.A, Banco Português de Investimento, S.A. and BPI – Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. (collectively referred to as the “BPI Group”) and is geared to all Clients and potential Clients of these companies. The purpose of this Handbook is:

- a) to describe in a clear and concise manner the nature, risks and complexity of financial instruments tradable through the BPI Group.
- b) to inform Clients about policies adopted by the BPI Group in respect of:
  - Order execution
  - Order aggregation and allocation
  - Conflicts of interest
  - Safeguarding Clients’ assets
  - Handling Client complaints

In this handbook the expressions “retail clients” and “professional clients” correspond, respectively, to client categorisation as “non-qualified” (*não qualificado*) and “qualified” (*qualificado*) as set out in the Portuguese Securities Code.

Investing in financial instruments requires the investor to be prudent and conscious, to fully understand the nature of the financial instruments concerned and the risks to which it will be exposed, to be capable of at any time correctly assessing its investment and the value of the financial instrument, and to have the means and availability to keep informed of the evolution in variables that may influence financial instrument prices.

This information does not exempt the investor from seeking other information considered relevant to assess and fully understand the specific risks and characteristics of the financial instrument that is the subject of the investment.

Banco BPI, S.A, Banco Português de Investimento, S.A. and BPI – Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. are authorised by Banco de Portugal (the Portuguese central bank) to perform the financial intermediation activities set forth in their objects and are, for that purpose, registered with the Portuguese Securities Commission ([www.cmvm.pt](http://www.cmvm.pt)).

## **II. NATURE AND RISK OF THE FINANCIAL INSTRUMENTS**

In accordance with the Securities Code, financial instruments are:

- a) Securities;
- b) Derivative instruments for the transfer of credit risk;
- c) Contracts for differences;
- d) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to:
  - i) securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial measures, which may be settled physically or in cash;
  - ii) commodities, climatic variables, freight rates, emission allowances, inflation rates or other official economic statistics that must be settled in cash at the option of one of the parties;
  - iii) commodities, that can be physically settled, provided that they are traded on a regulated market or an MTF (multilateral trading facility) or, not being for commercial purposes, which have the characteristics of other derivative financial instruments under the terms of Article 38 of Commission's Regulation (EC) no. 1287/2006 of 10 August;
- e) Any other derivative contracts, namely relating to any of the particulars stated in Article 39 of Commission Regulation (EC) no. 1287/2006 of 10 August, provided that they have the characteristics of other derivative financial instruments, under the terms of Article 38 of the aforesaid Regulation.

The contents of each financial instrument may be redressed due to certain events such as corporate actions, mergers and acquisitions, suspension from trading, price source disruption, material changes in the formula and/or contents of indices and changes to the respective tax regime.

The following sections give an overview of some of the most widely-known types of securities and other derivative financial instruments.

### **1. SECURITIES**

Amongst the most widely-known securities are the following:

- Shares;
- Bonds;
- Equity instruments;
- Units in collective investment undertakings;
- Rights detached from these securities, provided that the same applies to all the issue or series or is described in the issue conditions;
- Covered warrants;
- Certificates;
- Securitisation units;
- Mandatory convertible securities;
- Securities convertible at the option of the issuer;

- Credit linked securities.

### **a) Shares**

Shares are securities issued by public limited companies and which represent fractions of their share capital.

Shares confer upon their holders (the shareholders) a set of ownership and social rights, namely the right to vote at General Meetings and the right to share in the profits and dividends of the company. When investing in shares, the investor should take into account:

- The systemic risk which affects all companies on equal footing. Events such as inflation, interest-rate fluctuations and the GDP growth rate affect the whole economy and not just a specific company. Portfolio diversification (spreading the investment over shares issued by different companies) does not obviate this type of risk.
- The non-systemic risk is specific to each company and encompasses the risk attached to the business conducted by the company and the financial risk. It contemplates events such as strikes, natural disasters, bankruptcy or falls in sales. Portfolio diversification helps to minimise this type of risk.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing the appropriateness of the transaction requested by the Client), shares admitted to trading on a regulated market are deemed to be a non-complex financial instrument.

### **b) Bonds**

Bonds are securities issued, representing the rights of investors deriving from the granting of a loan to the issuer. Bonds confer upon the holder (bondholder) a set of credit rights which aim at cash deliveries: the right to redeem the par value of the bonds (principal borrowed) on the date(s) set forth in the conditions of the issue; to the extent that this appears in the conditions of the issue, the right to receive interest payments from time to time during the lifetime of the loan.

There are several types of bonds:

- bonds with accrued interest or redemption premium, fixed or linked to the profits of the company or the performance of certain indices;
- interest-bearing bonds, with repayment schedule, dependent upon and varying according to profits;
- convertible into shares;
- bonds with the right to subscribe for one or more shares (also known as bonds with warrants attached);
- premium bonds.

Conditions for the issue of bonds include information on:

- issue price;
- respective par value, which corresponds to the amount to be repaid at the end of the respective term;
- maturity date;
- coupon payments (if any) and frequency;

- applicable interest rate (fixed or variable).

When investing in bonds, the investor should bear in mind that such an investment entails credit risk, as the investor may not receive back the amount invested and/or coupons, should the issuer's financial situation deteriorate.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing the appropriateness of the transaction requested by the Client), bonds with no embedded derivatives are deemed to be non-complex financial instruments, while those that embed a derivative are deemed to be complex financial instruments.

### **c) Equity instruments**

Equity instruments are securities which confer upon the holder the right to receive a return comprising a fixed and a variable component, depending on the performance of the issuer's business indicators. Both the fixed and the variable remuneration are computed as a percentage of the par value of the equity instrument.

Equity instruments may be issued by public sector entities and majority state-controlled public limited companies, and one of their special features is that they can only be redeemed on a winding-up of the company or, if the company so decides, after at least 10 years have elapsed from the date they were issued.

The risk of equity instruments stands between that for shares and for bonds.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing the appropriateness of the transaction requested by the Client), equity instruments are deemed to be a complex financial instrument.

### **d) Units in collective investment undertakings**

A unit that represents a portion of the net assets of an investment fund, with no par value.

Investment funds are collective investment undertakings made up of the savings of various investors, forming an autonomous set of assets composed of investments made with investors' savings through the subscription of units and which is, therefore, not responsible for investors' debts neither for those of entities which, under the law, assure their management. There are two categories of investment funds:

- Open-ended funds – The number of units varies according to market demand, i.e., each subscription results in an increase in the number of units, and each redemption decreases that number.

In this case, the quotes of the units are updated on a daily basis and are calculated by dividing the total net asset value of the fund (calculated, where possible, at market prices) by the number of outstanding units.

- Closed-ended funds – The number of units is fixed at the time they are issued and may only be increased under pre-determined conditions, laid down in management regulations. Investing or divesting in the fund is made through the acquisition or sale of units in collective investment undertakings.

Investment funds are also classified as:

- Harmonised Funds: ruled by national laws and regulations, subject to rules laid down in Council Directive no. 85/611/EEC of 20 December. However, it is not sufficient that

the regime governing the fund is similar to the one established by the Directive: the legal regime to which it is subject must be legally bound to that of the Directive.

- Non-Harmonised Funds – are not ruled by the aforesaid Council Directive. Examples of non-harmonised funds are real estate funds, special funds, those funds managed by a company with its registered office outside the European Union, and closed-ended funds.

The value of a unit corresponds to the figure resulting from the division of total net assets value of the fund by the number of outstanding units, and it is disclosed by the fund's management entity (it may be consulted at the fund's management company, the entities which trade those units, or on CMVM's website ([www.cmvm.pt](http://www.cmvm.pt))).

The risk of this instrument is usually considered to be lower than that of the assets that make up its portfolio, due to the fact that diversification in investment funds mitigates the non-systemic risk (risk specific to each company).

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing whether the investment service or product envisaged is appropriate for the Client), units in harmonised funds are deemed to be non-complex financial instruments.

#### **e) Covered warrants**

Covered warrants are securities which entitle the holder to another security or financial asset (the underlying asset). Rights given by warrants have an exercise period set on the conditions of the issue, at the end of which they expire.

They are derivative instruments, i.e., instruments whose value results or derives from another instrument (the underlying or benchmark asset) and give the holder the right - but not the obligation:

- (i) to buy (call warrant) or sell (put warrant) a particular asset (physically settled warrants) at a preset price (strike price) on or before a given date in the future (maturity date), or;
- (ii) to demand the difference, in cash (cash-settled warrants), between the strike price and the market price of the underlying asset in the case of a put warrant; or between the market price and the strike price on or before a preset date in the future (maturity date).

A covered warrant gives the holder a right but not an obligation.

Warrants can be European style, which means that they can only be exercised on the maturity date, or American style, which can be exercised at any time up to and including the maturity date.

The non-exercise of the right given by the warrants triggers their extinction and, consequently, the total loss of the amount invested, i.e. the price paid on their acquisition.

The valuation of warrants depends upon various parameters, some of which may be extremely unstable, namely:

- the value of the underlying asset;
- the volatility of the underlying asset;
- the interest rate;
- the period to maturity;
- expected dividends.

The dependence of the warrant's value on the various parameters indicated reflects the high degree of complexity and risk attached to investments in this type of security.

Warrants confer a very significant leverage effect by virtue of the fact that, in order to acquire a specific exposure to an asset, it is only necessary to outlay the price of the warrant (lower than the investment in the underlying asset). This aspect, which can generate greater gains, can however give rise to a loss in the amount invested (which can be total), thereby introducing additional risks vis-à-vis the investment in the underlying asset.

Before investing in warrants, the investor must ascertain how much exposure each warrant has and compare this figure with that the investor would be willing to invest if option had been to buy (or sell in the case of put warrants) directly the asset underlying that warrant.

As is the case with the other securities, covered warrants can be bought and sold by their holders at any time (subject to market demand and supply) and until their maturity.

The investor should always consult the issue prospectus or that of the listing of the covered warrants in which he wishes to invest.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing the appropriateness of the transaction requested by the Client), covered warrants are deemed to be a complex financial instrument.

### Structured warrants

Structured warrants, also called Turbo Warrants (TW) or Barrier Warrants, are a specific category of covered warrants.

This is a new generation of warrants which perform similarly to futures contracts (described in (2) (a)), with price fluctuations of the underlying asset almost totally replicated by the TW. The major difference lies in the fact that TWs (like covered warrants) permit limiting the maximum loss to the amount of principal initially invested (differently from futures, which have an unlimited potential for a loss).

The big difference against covered warrants described above is that TWs are issued with knock-out or knock-in barriers. If the price of the underlying asset reaches or crosses this barrier at a point in time during the TW lifetime, the warrant expires worthless, and the investor loses the whole amount invested.

There are two types of TW:

- Turbo Bull (Call Warrant) - benefits from rises in the price of the underlying asset; however, if the price of the underlying asset declines below or up to the knock-out barrier, the TW expires worthless, and the investor loses the whole amount invested;
- Turbo Bear (Put Warrant) - benefits from drops in the price of the underlying asset; however, if the price of the underlying asset rises above or to the knock-out barrier, the TW expires worthless, with the investor losing the total amount invested.

Investing in warrants entails a high degree of leverage, as variations in the value of the underlying assets reflect in the value of the warrants. To this extent, variations in the value of the underlying asset result in a gain or loss higher than that which would have been obtained with a similar investment in the underlying asset, and could as such cause huge losses (including the whole amount invested).

The investor should always read the issue prospectuses or the prospectuses relating to the listing of the structured warrants in which it wishes to invest.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing the appropriateness of the transaction requested by the Client), structured warrants are deemed to be complex financial instruments.

#### **f) Rights detached from securities**

Certain types of securities confer rights which, under certain circumstances, can be detached and traded separately. These detached rights are short term securities and entitle the investor to exercise an underlying option (a right).

Detached rights are, for instance, the right to subscribe for new shares in a share capital increase or incorporation rights (which, under certain circumstances, can also be traded separately).

##### **f-1) Rights issue**

As a general rule, the shareholder is given a pre-emptive right on new shares whenever a company decides to increase its share capital.

When this happens, new securities are created and detached – the subscription rights – which can be exercised by shareholders wishing to subscribe for shares in the capital increase, or disposed of, namely on the stock exchange. If the subscription rights attributed are not exercised or sold, investors will lose the amount corresponding to those rights.

Subscription rights are complex financial instruments.

##### **f.2) Bonus issue**

Companies can also choose to incorporate reserves into their share capital, thus increasing the amount of the share capital and awarding new shares to shareholders at no charge. The legal position of the shareholders resulting from such allocation is called bonus issue right.

In certain circumstances, bonus issue rights can be traded separately.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing the appropriateness of the transaction requested by the), bonus issue rights are deemed to be complex financial instruments.

#### **g) Certificates**

Certificates are limited lifespan securities which grant investors the right to receive the amount of an underlying asset in cash on a specified date.

The issuer of these securities may:

- set a maximum earnings threshold each investor may obtain;
- guarantee that a minimum amount is received, i.e, each investor will always receive a specified fixed amount that may be equal, below or above the amount initially invested;
- establish that the value of the underlying asset is not computed at a single moment, but at different points in time.

The amount to be received by the investor depends upon the value of the underlying asset, and the investor should also monitor its performance in order to make its investment decisions.

At maturity, the investor may receive an amount lower than that initially invested, and loss may be total.

For purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing the appropriateness of the transaction requested by the Client), certificates are deemed to be complex financial instruments.

#### **h) Securitisation units**

Securitisation units represent a portion of a securitisation fund, whose nominal value is set in the fund's management regulations. A unit represents a portion each investor shares in the portfolio of that fund.

Securitisation funds are undertakings for collective investment - made up of savings from a number of investors -, whose net assets are composed of loans.

There can be different categories of securitisation units (which confer equal rights amongst themselves, but different from the others) - for example, according to the degree of preference in the payment of periodic income, or on the redemption of the par value -, and which usually have different ratings.

This product entails the risk attached to the underlying loan portfolio.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for purposes of assessing the appropriateness of the transaction requested by the Client), securitisation units are deemed to be complex financial instruments.

#### **i) Mandatory convertible securities**

Mandatory-convertible securities can be issued by banks, by Caixa Económica Montepio Geral, Caixa Central de Crédito Agrícola Mútuo and other entities which offer an appropriate guarantee. These securities have a limited lifespan and bind the issuer to deliver to the investor a number of shares or bonds on a specified date, and the mandatory-convertible securities expire upon such delivery.

The securities to be given to the investor are issued by the same company that issues the mandatory-convertible security or by any other forming part of the same group.

The value of the shares or bonds delivered by the issuer may be lower than the amount invested, and may entail total loss of the amount invested.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing the appropriateness of the transaction requested by the Client), mandatory-convertible securities are deemed to be complex financial instruments.

#### **j) Securities convertible at the option of the issuer (reverse convertibles)**

Securities convertible at the option of the issuer have a short maturity and can be issued by banks, by Caixa Económica Montepio Geral, Caixa Central de Crédito Agrícola Mútuo and other entities which offer appropriate guarantee. These securities allow the issuer to opt for:

- delivering the investor a specified amount in cash, corresponding to the par value of the security; or
- delivering the investor a specified number of shares or bonds or the respective amount in cash on the date set for delivery.

Shares or bonds can only be delivered to the investor if the value of the underlying asset is lower than the benchmark value set on the issue.

Even where the investor can only receive shares or bonds, the asset underlying the securities convertible at the issuer's option can comprise shares and bonds (those which can be delivered or others), securities indices, indices of indices or baskets of securities. Hence, the investor has to monitor not only the performance of the underlying asset but also that of the asset it may be given, in order to make its investment decisions.

The value of the shares or bonds given by the issuer can be lower than the amount invested, and may imply its total loss.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purposes of assessing the appropriateness of the transaction requested by the Client), securities convertible at the issuer's option are deemed to be complex financial instruments.

### **k) Credit-linked notes**

Credit-linked notes may be issued by banks, by Caixa Económica Montepio Geral, Caixa Central de Crédito Agrícola Mútuo and other entities which present appropriate guarantee, have a limited lifespan and grant to the investor credit rights, the existence and/or amount of which depending on the ascertainment of a specified credit event defined in the issue resolution.

Credit events to be considered are set out in the conditions of the issue (for example, a company's failure to fulfil its payment obligations relating to bond loans or certain agreements).

The occurrence of a credit event can lead to:

- failure to pay, or a decrease or increase in, the amount of cash to be repaid to the investor as principal or interest; or
- the delivery of other securities representing a company's debt.

The investor may be given securities representing the debt of a company other than the company that issues the credit linked notes, provided that they are traded on a regulated market or any other equivalent market. In the issue resolution, the conditions upon which any delivery of the aforesaid securities depends must be detailed.

If the credit linked notes do not guarantee the repayment in cash of the amount initially invested to the investor, the respective par value must be at least € 25,000, albeit the risk of the amount repaid being less than that invested, and could entail the total loss of the amount invested

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing the appropriateness of the transaction requested by the Client), credit-linked notes are deemed to be complex financial instruments.

## **2. DERIVATIVE FINANCIAL INSTRUMENTS**

Derivatives are financial instruments whose value is calculated based upon the value of another instrument/asset (known as the underlying asset).

In derivatives, the reference amount that corresponds to the par value of the underlying asset or upon which future payments due between the parties are calculated, is called the notional value.

These instruments can be used notably for protection against financial risks or for speculation on the future price of interest rates, exchange rates, commodities or financial indices. Derivatives permit leveraging the investment, i.e., a risk exposure to a particular notional value with fewer resources than would be necessary had the investment been made in the underlying asset. The risk of a derivative instrument corresponds to the risk attached to the underlying asset, amplified by the leverage effect.

Derivatives are traded on special derivative markets - forward markets or Futures and Options Exchanges, but may also be traded over-the-counter (OTC).

### **a) Futures**

A futures contract is a standardised forward purchase and sale contract, under the terms of which two parties, the buyer and the seller, agree to buy and sell a specific asset at a later date, at a preset price.

Such financial instruments enable the investors:

- to hedge the risk, guaranteeing the price of an asset in the future;
- to seek to benefit from expectations on price evolution of the underlying asset.

When investing in futures, the investor will have to deposit a sum of money – the initial margin. The maintenance of open positions in futures contracts also requires, besides a minimum margin, the existence of a maintenance margin per contract (whenever funds available on the margin account are below the maintenance margin, the investor will have to provide the account with liquidity or close a part or all open positions).

Futures contracts are traded on derivative exchanges.

The risk attached to futures depends on the risk inherent to the underlying asset, increased by the leverage effect.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing whether the investment service or product envisaged is appropriate for the Client), futures are deemed to be complex financial instruments.

### **b) Options**

Option contracts are contracts entered into between two parties under the terms of which the buyer acquires the right to buy (call option) or sell (put option) during a certain period of time an asset (underlying asset) at a price set at the time the contract is entered into (the exercise price), on payment of a premium.

The main difference between futures contracts and options contracts is whether they generate or not a binding obligation for the two parties:

- (i) In futures, the buyer and the seller undertake to buy or sell the underlying asset (for example, shares, interest rates or foreign exchange rates) at a later date, at a price set at present, therefore binding the two parties; and

- (ii) In options, the buyer (who pays a premium) does not assume any binding obligation, acquiring only the right to buy or sell the underlying asset.

The binding obligation is only assumed by the seller of the option contract, who receives a premium and remains subject to the option that the buyer may take (of buying or selling).

The buyer of the option risks losing the option premium.

The seller of the option is subject to the market-price risk attached to the underlying asset.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing whether the investment service or product envisaged is appropriate for the Client), options are deemed to be complex financial instruments.

## **c) Swaps**

### **c.1) Interest rate swap**

Interest rate swaps are contracts under which the parties agree to swap interest payments with a specified frequency, with both flows being indexed to different interest rates during the lifetime of the contract and calculated on the reference amount (notional value). This instrument is often used for swapping variable rate for fixed rates.

Therefore there is no exchange of principal amounts but only interest flows calculated based on the reference (notional) amount. These two interest-payment flows are made in the same currency.

The risk of this instrument is linked to the evolution of the variable interest rate benchmark specified in the contract For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing whether the investment service or product envisaged is appropriate for the Client), Interest Rate Swaps are deemed to be complex financial instruments.

### **c.2) Currency swap**

Currency swap contracts are contracts under which the parties agree to exchange one currency for another on a value date (spot swap), reversing this swap on a future value date (forward swap), while the amount in one or both currencies can be different for spot and forward swaps.

The Currency Swap's risk depends upon the exchange rate and the interest rates in each one of the currencies over the contract's specific term.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing whether the investment service or product envisaged is appropriate for the Client), Currency Swaps are deemed to be complex financial instruments.

### **c.3) Cross currency swap**

These are contracts under which one party, generally a bank, and a Client agree to swap cash flows and the notional amount in different currencies for a fixed period.

The cash flows to be swapped correspond to periodic interest payments – with a specified frequency – expressed in two different currencies and indexed to different interest rates (both at a variable or a fixed rate, or one at variable rate and another at a fixed rate) during the term of the contract.

The two interest-payment flows are calculated based on the notional amount, which is swapped on the date the transaction commences and re-swapped on the maturity date.

This transaction corresponds thus to an exchange (swap) of assets/liabilities at a fixed/variable rate in a specified currency for liabilities/assets at a variable/fixed rate denominated in another currency.

The risk of the Cross Currency Swap depends on the foreign exchange rate and the interest rates in each currency for the specific term of the contract.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing whether the investment service or product envisaged is appropriate for the Client), Currency and Interest Rate Swaps are deemed to be complex financial instruments.

#### **d) Forwards**

Forwards are contracts whereby the parties agree to swap one currency for another at a future date. The exchange rate and the delivery date are set on the contract date.

The forward exchange rate contracted depends on the spot exchange rate and the interest rates in each one of the currencies and up to the future delivery date.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing whether the investment service or product envisaged is appropriate for the Client), forwards are deemed to be complex financial instruments.

#### **e) FRA's (Forward Rate Agreements)**

These are forward interest-rate contracts whereby the interest rate payable or receivable on a specified amount and for a preset period of time beginning in the future is established on the date the contract is entered into.

The agreed future interest rate depends on the relevant interest rate yield for the period considered.

For the purpose of the provisions set forth in Article 314-D of the Portuguese Securities Code (regime which distinguishes between complex and non-complex financial instruments for the purpose of assessing whether the investment service or product envisaged is appropriate for the Client), FRA's (Forward Rate Agreements) are deemed to be complex financial instruments.

### III. BPI GROUP'S POLICY ON BEST EXECUTION

#### 1. Best execution

For the purposes of the provisions of Articles 330 and following of the Portuguese Securities Code, the policy adopted by the BPI Group (Banco BPI, S.A. (Banco BPI), Banco Português de Investimento, S.A. (BPI) and BPI – Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.) for the execution, reception and transmission of orders to carry out transactions on financial instruments is described below.

This policy reflects BPI Group's commitment to use its best endeavours to apply a set of criteria (depicted in section 2 below) and procedures (outlined in section 3 below) to achieve the best possible result when executing orders received from BPI Group's clients, in execution venues listed in section 4 below, where the respective applicant has not given specific instructions as to the treatment to be given to the order submitted.

Conversely, where the Client gives specific instructions as to the treatment to be given to the order submitted, the BPI Group will execute that order in accordance with those specific instructions, even where they differ from BPI Group's execution policy.

Any specific instructions provided by a client may preclude the BPI Group from obtaining the best possible result, according to its best execution policy.

Without prejudice to using every endeavour to ensure that an order without specific instructions is executed in the best possible conditions, in certain circumstances, namely, in the event of breakdown, malfunction or failure of any communications or IT systems, orders transmitted to the BPI Group may have to be executed differently from that herein laid down.

The BPI Group regularly monitors the effectiveness and quality of order execution arrangements, whether carried out by BPI or by any of the financial intermediaries designated by it, making the necessary corrections where it detects any deficiencies likely to jeopardise compliance with this execution policy.

#### 2. Best execution factors and criteria

**2.1 Main factors:** The BPI Group will take all reasonable steps to obtain the best possible result, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other factor relevant to the execution of the order.

**2.2 Factor weighting:** In determining the relative importance of each of the aforesaid factors, the BPI Group takes into consideration the characteristics of: a) the client, including the categorisation of the client as Retail or Professional Investor; b) the client's order; c) the financial instruments that are the subject of the order; d) the execution venues listed in 4. below to which that order can be directed.

**2.3 Execution of Retail Client orders:** the best possible result will be determined in terms of the total consideration, representing the price of the financial instruments and the costs related to execution, will including all expenses incurred by the client which are directly related to the execution of the order. Nonetheless, the BPI Group will do its utmost to ensure that those orders are also executed at the best conditions of speed, likelihood of execution and settlement.

**2.4 Execution of Professional Clients or Eligible Counterparties orders:** In addition to price, other factors such as costs, speed and likelihood of execution and settlement will be taken into consideration. Consequently, a transaction that has not been executed at the best price may not necessarily evidence a disregard for the execution policy adopted by the BPI Group.

**2.5 Execution venues and commissions:** Where an order can be executed in more than one execution venues, the BPI Group, in order to assess the best execution, will consider the commissions charged to the client for the execution of orders in each execution venue.

In the same manner, the BPI Group will not set nor change the commissions it charges in such a way that no execution venue is unfairly discriminated against.

### **3. Procedures for order execution**

**3.1 BPI clients' orders :** Orders received within regular trading hours are transmitted directly to the markets where BPI is a member or participant, or indirectly, through other financial intermediaries. Orders received outside these times will be retained and routed to those same markets or to other financial intermediaries at the beginning of the regular trading hours of the following session.

**3.2 Banco BPI clients' orders :** Orders received within the regular trading hours are immediately transmitted to BPI which in turn will route them under the terms referred to in 3.1. Orders received outside these times will be retained and sent to BPI at the beginning of the following trading session, and BPI will ensure the transmission also referred to in 3.1.

**3.3 Orders within the scope of portfolio management:** Orders will be transmitted by the respective manager to BPI or to other financial intermediaries who, in turn, will transmit them directly to the markets where they are members or participants, or will ensure their transmission to other financial intermediaries.

**3.4 Order executed by financial intermediary designated by the BPI Group:** In cases in which the orders transmitted to the BPI Group are executed through other financial intermediaries, the necessary steps will be taken to obtain the best possible result for Clients, taking into account the factors and criteria set out in 2.1 and 2.2 above. In particular, the BPI Group will use its best endeavours to ensure that the financial intermediaries designated by it have the means to enable the BPI Group to fulfil its obligations. The BPI Group will regularly monitor the quality of the execution of the orders transmitted by it to these financial intermediaries and change, where appropriate, the list of financial intermediaries designated by it.

The BPI Group will only use financial intermediaries who are subject to the supervision of competent regulatory authorities of their home countries, and whose order execution policies are on a par with this execution policy.

**3.5 Executing orders for financial instruments admitted to trading on a regulated market:** Upon client's consent, the BPI Group, or any one of the financial intermediaries it may have designated, may execute off-market the orders transmitted to it for financial instruments admitted to trading on a regulated market or on a multilateral trading facility (MTF), while the BPI Group or any of the aforementioned financial intermediaries may be the counterparty. Such orders may also be executed in multilateral trading systems (MTF) or systematic internalisers. At the client's request information will be made available about the criteria used to execute such orders.

**3.6 Executing orders for financial instruments issued by the BPI Group and not admitted to trading on a regulated market:** In respect of orders for financial instruments issued by the BPI Group and not admitted to trading on a regulated market or multilateral trading facility (MTF), the BPI Group will make available daily bid/ask for such instruments. Information about these bid and ask offers will be made available to clients at the branches and/or via a distance communication channel on which the Bank decides to implement this functionality. The client may transmit orders to sell these financial instruments at the places designated by the BPI Group for this purpose, and the order will be executed at the price being offered by the BPI Group.

#### **4. List of trading venues**

**4.1.** In the activity involving the execution of clients' orders for financial instruments with a primary listing on the regulated markets in Portugal, Spain and France, BPI considers that observance of the present execution policy will be best assured through the execution of orders in the following list of trading venues; Euronext Lisbon, Euronext Paris and the Madrid Stock Exchange (S.I.B.E).

**4.2** These execution venues are selected taking into account the safeguard BPI Group clients' interests, as BPI considers that currently, in these cases, the regulated market of the country where the issue was listed for the first time on a regulated market (usually it coincides with the issuer's home country) is the execution venue which concentrates the largest demand by investors and, consequently, the one that offers the best pools of liquidity, speed, likelihood of execution and settlement, and which is considered by the BPI Group as the one that permits to obtain the best result possible, on a regular basis.

**4.3** Nonetheless, where new execution venues arise where the financial instruments listed on the aforesaid markets (Portugal, Spain and France) are traded and where there are prospects of securing better execution results, BPI will re-assess and update, where applicable, the aforementioned list or, alternatively, it will then transmit orders to another financial intermediary with access to said execution venue.

## **IV - BPI GROUP'S POLICY ON ORDER AGGREGATION AND ALLOCATION**

### **1. Introduction**

Under the terms and for the purpose of the provisions set forth in Articles 328-A and 328-B of the Portuguese Securities Code, BPI's (Banco BPI, S.A., Banco Português de Investimento, S.A. and BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.) policy on order aggregation and allocation in respect of transactions to be carried out involving financial instruments is described below.

Order aggregation means the aggregation into a single order transmitted (hereinafter the "aggregated order"), for execution purposes, by BPI to the market or to another financial intermediary (hereinafter "single orders") received from more than one client or the merging, for the same purpose, of an order from a client or various clients with an order relating to a transaction to be executed by BPI for own account.

The allocation of orders means the apportioning of the proceeds of the transaction carried out in executing an order aggregated by the applicants of the single orders. Allocation is particularly relevant where the aggregated order is not fully executed and/or where it is not fully executed at the same price/ same time or under different conditions.

Safeguarding BPI clients' interests and their equitable treatment - all within the framework of the requirements in this domain defined in the law -, are the guidelines that envisage BPI's order aggregation and allocation policy herein described.

### **2. Order aggregation policy**

When receiving, transmitting and executing orders on behalf of a third party, the aggregation of orders by BPI is exceptional.

Within the scope of the portfolio management business, BPI will aggregate orders from various clients into a single order where it has reasonable grounds to believe that this works to the advantage of each client. The BPI Group will only aggregate, in a single order, orders from various clients or orders from clients with orders relating to transactions for own account, where:

1. this is clearly necessary for the client's order to be executed faster and in the client's best interest, or when this is determined by the entity that manages the execution venue whereto the order should be transmitted;
2. in general, the aggregation is not detrimental to any of the instructing clients;
3. clients with aggregated orders, have been informed that the aggregation is likely to work to their disadvantage in relation to a particular order.
4. the client does not object to the aggregation of the order.

### **3. Order aggregation criteria**

**3.1** Where the BPI Group aggregates own account orders with one or more orders from clients, it will not allocate the corresponding transactions to the detriment of the clients.

**3.2** Without prejudice to the provisions set forth in paragraph below, where BPI aggregates an order from a client with an own account order, and the aggregated order is partially executed, then BPI will allocate the corresponding transactions on a first come first served basis to the client.

**3.3** BPI may allocate the transaction referred to in the preceding paragraph on a pro rata basis if it provides satisfactory evidence that, should the order not be aggregated, it

would not have been able to execute it or that it would not have been able to execute it under such advantageous conditions.

**3.4** When aggregating orders transmitted by various clients, BPI allocates the corresponding transactions on a pro rata basis to each client, i.e., at the weighted average price and shared out in accordance with the number of orders transmitted.

## V - BPI GROUP'S CONFLICTS OF INTEREST POLICY

Under the terms and for the purposes of the provisions set forth in Article 309-A and following of the Portuguese Securities Code, this chapter outlines BPI Group's (i.e. Banco BPI, S.A. (Banco BPI), Banco Português de Investimento, S.A. (BPI) and BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.) policy on conflicts of interest.

### 1. GUIDELINES

In respect of Client relationship, the BPI Group ensures:

- a transparent and equitable treatment;
- that priority is given to Client best interests, both in respect of BPI Group's own interests or those of companies with which the BPI Group is in a controlling or group relationship, and in respect of the interests of the members of their governing bodies or those of the tied agent and employees of both;

Amongst the principles governing BPI Group's conduct of business and in its relationship with Clients, the following stand out:

- integrity in the provision of services and Client relationship;
- provision of financial intermediation services with due skill, care and diligence;
- conduct of financial intermediation activities, pursuant to rules set up by supervision authorities;
- protection of the interests of BPI Group's Clients, and its equitable treatment;
- provision of clear, up-to-date, complete and not misleading information to Clients.

### 2. CIRCUMSTANCES WHICH MAY LEAD TO POTENTIAL CONFLICTS OF INTEREST

The BPI Group provides a spectrum of financial intermediation services, with particular emphasis on the provision of services involving:

- reception, transmission and execution of orders in relation to financial instruments on behalf of Clients;
- dealing on own account;
- portfolio management;
- investment advice;
- investment research;
- financial advice to companies (assistance in public offerings, underwriting of financial instruments on a firm commitment basis, placing of financial instruments, financing, etc.).

Within this framework, the following may be deemed to be events likely to create potential conflicts of interest:

- production and dissemination of investment recommendations on issuers to whom it may provide any other type of financial intermediation services;
- provision of financial intermediation services to different Clients operating in the same sector;
- provision of financial intermediation services to issuers of financial instruments which could be traded by Clients;

- provision of assistance services and placement of public offerings related to financial instruments which may be traded by Clients, and the underwriting of issues that may be subscribed by Clients;
- integration, by employees or members of the management body of the companies that are part of the BPI Group, of management bodies of other issuers of financial instruments which may be traded by Clients or upon which investment research is prepared or disclosed;
- acting as counterparty of the client or order execution for financial instruments on its behalf or representation;
- transactions in financial instruments between Clients and the BPI Group or other Clients;
- simultaneous execution of transactions on financial instruments for the BPI Group and for Clients.

### **3. RULES AND PROCEDURES ADOPTED**

With a view to ensure that the guidelines set out in section 1 are complied with, and to prevent any conflicts of interest, in particular those referred to in the foregoing section, the BPI Group has adopted rules and procedures, which are depicted in the Group's internal rules, notably the **BPI Group's Code of Conduct**.

**BPI's Group Code of Conduct** sets the guidelines applicable to BPI Group's Employees, as well as specific rules to be adopted in situations where conflicts of interest arise:

- between two or more Clients;
- between Clients on the one hand, and BPI Group's entities, their Employees or members of the Governing Bodies, on the other.

Moreover, and with a view to preclude and manage potential conflicts of interest, the BPI Group is prepared to prevent and pinpoint any conflicts of interest, and acts in such manner as to mitigate the risk of occurrence. To this end, it has adopted, for those areas dealing with financial intermediation, an operating model that favours the segregation of functions and the restriction on the flow of information.

In respect of the production of investment research, the Code of Conduct sets out the procedures to be adopted in the event of conflicts of interest between the companies which are the object of such investment research, BPI Group's entities, their respective Employees or members of their governing bodies.

The independence of Employees who manage or supervise, or whose main duties include the conduct of financial intermediation activities or the provision of such services to Clients, is assured through the implementation of the following procedures:

#### **a) Rules governing the exchange of information between Employees involved in financial intermediation activities which entail the risk of conflicts of interest**

The prohibition on the exchange of information between Employees involved in different areas of financial intermediation is assured not only by the rules outlined in the Code of Conduct but also by the establishment of organisational requirements, which create information barriers (i.e. Chinese walls) and the physical separation of the various areas, namely between the trading areas (for own account or on behalf of Clients) of the area in charge of the production of investment research.

In the main areas where trading activity is conducted, the control of information exchange between Employees is, as a general rule, assured through the recording of telephone conversations between Employees involved in dealing on financial instruments on BPI Group's own account or on behalf of its Clients.

Moreover, and in respect of dealing on own account businesses, dealing on behalf of Clients and producing investment research, BPI Group ensures that Employees involved in each of the aforementioned activities:

- do not participate in decisions or guidelines adopted relating to another activity, nor do they have access to privileged information gathered or produced by this other activity until it is made public;
- they are bound by the Code of Conduct not to disclose any information which could in any way influence the behaviour or the performance of the other activity before this becomes public knowledge or is disclosed to the public.

**b) Different supervision procedures for Employees involved in financial intermediation activities which entail the risk of conflicts of interest**

Employees involved in the different financial intermediation activities, in particular those working directly in dealing on own account or for the account of Clients, and those involved in the production of investment research, report hierarchically to different persons.

**c) Abolition of the direct relationship between the remuneration of persons involved in the conduct of financial intermediation activities and the remuneration or revenue generated by other financial intermediation activities conducted by a different person.**

There is no direct or indirect relationship or indexation, whether by reference to fixed or variable pay, between the remuneration received by Employees or by those in charge of a specific financial intermediation activity and the income obtained by any other financial intermediation area.

Any variable remuneration attributed to Employees of different financial intermediation activities will be related, as a general rule, to results of BPI Group's entity where the employee works, without prejudice to the possibility of part of the variable remuneration being directly related to the performance of the Employee.

**d) Prohibition and restriction on the exercise of inappropriate influence on how persons involved in the conduct of financial intermediation activities carry them out**

The BPI Group, through the rules and restrictions laid down in its Code of Conduct, and through physical, functional and hierarchical separation of Employees from different financial intermediation activities, restricts the exercise of any inappropriate influence on how persons involved in the conduct of financial intermediation activities carry them out.

In operational terms, this entails independence between the different financial intermediation activities, and the directives and guidelines designed for each of the activities emanate from their hierarchically superior and independent collegial institutions without prejudice to the possibility of the Employees of each area participating in the making of decisions that affect them.

**e) Prohibition and control of simultaneous or sequential involvement of persons involved in the provision of financial intermediation activities in different financial intermediation activities**

The organizational and functional separation of BPI Group's human resource structure helps in such a way that Employees of a specific financial intermediation activity are not involved in the simultaneous conduct of different financial intermediation activities which, between themselves, could give rise to conflicts of interest, notably with respect to dealing on own account, on behalf of Clients and investment research.

#### 4. PROCEDURES ADOPTED TO HANDLE CONFLICTS OF INTEREST

In the event of a conflict of interest, and always without prejudice to Client's interests prevailing over BPI Group's interests, the BPI Group will adopt the following procedures to handle and resolve them:

##### a. Survey, recording and communication

The BPI Group will take all reasonable steps to pinpoint conflicts of interest and to keep an up-to-date record of all conflicts of interest which have occurred entailing the risk of affecting Clients' interests.

Where procedures adopted by the BPI Group are inadequate to prevent a conflict, and there being no guarantee that Clients' interests will not be harmed, the BPI Group:

- will inform the Client of the existence and the nature of the conflict prior to the execution of the transaction to be carried out in its name, so as to obtain its consent for the provision of the service concerned or;
- may, at its sole discretion, opt not to provide the intermediation service requested.

##### b. BPI Group's internal organisation

The BPI Group is organised in such manner as to identify and mitigate any conflicts of interest which may arise, notwithstanding the application of the procedures identified in sections 1 and 3 above. To this end, BPI Group has:

- systems for the **control of compliance** of the rules applicable to matters relating to conflicts of interest, of which special reference is made to the Internal Audit Department;
- internal **operational risk-management** mechanisms designed to detect, evaluate and mitigate operational risk, including that resulting from breach in ethical behaviours established;
- a **complaints** service to receive and analyse client complaints, which assures the reception and analysis of all complaints lodged whether by BPI Group's Clients or others;
- technical and human means which ensure the **safeguarding of assets** (cash and financial instruments) deposited or registered in the name or on behalf of its Clients, relying on mechanisms already implemented which permit a clear distinction between assets belonging to the BPI Group and those belonging to each one of its Clients;
- Means for **keeping documents and records** related to the provision of intermediation services taken out with each Client and the execution of transactions involving financial instruments carried out, which permit information storage in an accessible manner.

Finally, the responsibility for compliance with all these duties is undertaken by BPI Group's management body, which is also charged of periodically assessing and taking decisions about the correction of any shortcomings detected.

## VI - BPI GROUP POLICY ON SAFEGUARDING CLIENTS ASSETS

Banco BPI, S.A., Banco Português de Investimento, S.A. and BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. have the technical and human means to safeguard the assets (cash and financial instruments) deposited or registered in the name or on behalf of their clients. Moreover, mechanisms are in place to allow a clear distinction between their assets and the assets belonging to each of its clients.

Safeguarding assets means their custody (or in the case of dematerialised assets, the respective record keeping) in such terms as to ensure, namely:

- that they cannot be misappropriated by third parties;
- without prejudice to the special regime for fungible securities, that these are and can be identified on a permanent basis as belonging to the client, not being mistaken for or treated as the assets of other clients or the BPI Group;
- that the necessary control activities are carried out on a regular basis, amongst which the reconciliation of positions and flows.

When outsourcing the services covering the recording and deposit of financial instruments to third parties, the BPI Group only resorts to financial intermediaries which are subject to the supervision of the competent regulatory authorities of their home countries.

Banco BPI, S.A., Banco Português de Investimento, S.A. and BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. are members of the Investor Compensation Scheme (*Sistema de Indemnização aos Investidores*), which is responsible for protecting investors in the event of default of an authorised financial intermediary operating in Portugal. Similarly, deposits made with Banco BPI, S.A. or Banco Português de Investimento, S.A. benefit from the repayment guarantee provided by the Deposit Guarantee Fund established by Decree-Law 298/92 of 31 December (Credit Institutions and Financial Companies Law), as amended by Decree-Law 246/95 of 14 September.

### Investor Compensation Schemes

An Investor Compensation Scheme was created in 1999 with the aim to protect small investors (retail clients) in the event of default of financial intermediaries.

The Investor Compensation Scheme established under Decree-Law no. 222/99 of 22 June is aimed at protecting small investors (retail clients) in the event of financial inability of the participating financial intermediaries to repay or return money or financial instruments belonging to them, guaranteeing cover of the amounts owed to investors relating to financial instruments and the money expressly assigned to purchase them, namely:

- financial instruments (notably, shares, bonds, equity instruments, units in collective investment undertakings, commercial paper, treasury bills, futures and options on financial instruments, FRA's) deposited by clients or managed on their behalf;
- cash deposited by clients expressly assigned for investments in financial instruments.

The Investor Compensation Scheme guarantees repayment up to an amount of € 25,000 per investor, and the compensation limit is set per investor instead of per account.

The compensation to be awarded to each investor is calculated at the date the Investor Compensation Scheme is triggered, based on the amount of money and financial

instruments registered in the name of the investor at the financial intermediary which triggered the Scheme, to the extent permitted by law.

The Investors Compensation Scheme is triggered:

- a) where the financial intermediary participating in the Scheme, for reasons directly connected with its financial position, is unable to meet the obligations stemming from investors' borrowings, and Banco de Portugal has concluded that, upon CMVM's (the Portuguese Securities Commission) opinion, the financial intermediary shows no sign to be able to do so in the near future;
- b) where Banco de Portugal makes public its decision to revoke the financial intermediary's authorisation, should said disclosure be made before the default situation referred to in the preceding paragraph occurs;
- c) in relation to the amounts owing from investments made in Portugal by branches of investment companies and credit institutions with registered offices in another European Union Member State, upon receipt of a statement from the supervisory authority of the home country stating that the exercise of the rights of the investors to claim any payment due to them from that entity is suspended.

The Investor Compensation Scheme discloses the triggering mechanism as well as all other details deemed necessary to safeguard clients' rights:

- at its head office;
- at CMVM's head office;
- at branches and agencies of the financial intermediary who caused the triggering;
- in a large circulation newspaper;
- on the Investor Compensation Scheme's home page;
- on CMVM's internet site;
- in other places or by other means deemed appropriate.

Besides the aforementioned advertising, the Investor Compensation Scheme informs each investor of the amount of the compensation computed, the calculation method and the procedures required for the respective payment.

Investors have 30 days after receipt of notice from the Investor Compensation Scheme to deliver the Claim Form (*Formulário de Identificação*) available on the Investor Compensation Scheme's website and at CMVM's offices, giving personal details and contacts, the corporate name of the financial intermediary, payment option and, in case they opt for bank transfer repayment, the *NIB* (bank identifier code) of the account to be credited with the compensation amount.

For further information, please visit CMVM's website ([www.cmvm.pt](http://www.cmvm.pt)).

### **Deposit Guarantee Scheme**

To comply with the provisions set forth in Article 157 of Decree-Law no. 298/92 of 31 December (Credit Institutions and Financial Companies Law), as amended by Decree-Law 246/95 of 14 September, and in Article 312-C of the Portuguese Securities Code, deposits made with Banco BPI and BPI (hereinafter referred to as BPI) benefit from the repayment guarantee provided by the Deposit Guarantee Fund (hereinafter referred to as the Fund) established under the terms of the aforesaid Decree-Law 298/92.

Pursuant to said ordinance, and for the abovementioned purposes, a deposit means:

- credit balances which, under applicable legal and contractual conditions, should be returned by BPI, and which comprise cash at bank in an account, or which result from temporary situations stemming from regular banking transactions;

- funds represented by deposit certificates issued by BPI.

For the abovementioned purposes, funds represented by other debt securities issued by BPI, as well as debts arising from own acceptances or outstanding promissory notes, are not contemplated in the meaning of deposits.

### **Guaranteed Deposits**

The Fund guarantees, up to the limits mentioned below, the repayment of deposits taken by BPI in Portugal and also the repayment of deposits taken by BPI through its branches in other member states of the European Union.

### **Guarantee limits**

The Fund guarantees the repayment of the aggregate amount of cash balances held by each depositor, provided that it does not exceed € 100,000 (one hundred thousand euro), and, for this purpose, the balances that are considered are those existing at the date on which deposits are not available.

Pursuant to the law in force, the aforementioned guarantee limit, which was increased from 25,000.00 to said 100,000.00 euro, will temporarily be valid until December 31, 2011.

The aforesaid amount will be calculated based on the following criteria:

- a. all deposit accounts held by the interested party with BPI will be taken into account, irrespectively of their modality;
- b. interest will be added to the deposit account balances, computed as at the date they become unavailable;
- c. deposit balances in a foreign currency will be converted into euro at the exchange rate ruling on the same date;
- d. if not otherwise provided, the balances of a multi-party account, joint account or joint account on a either-to-sign basis belong to their accountholders in equal parts;
- e. if the accountholder is not the beneficial owner of the right to the amounts deposited and it has been identified or is identifiable prior to deposits becoming unavailable, the guarantee covers the holder of the right;
- f. if the right has several holders, the part attributable to each one of them, pursuant to the rule set out in subparagraph d), will be taken into consideration when calculating the aforesaid limit;
- g. deposits in an account to which a number of persons have access, in their capacity as members of an association or of a special committee without any legal personality, are aggregated as if they had been made by a single depositor and will be disregarded when the limit contemplated above is calculated as being applicable to each of those persons.

### **Deposits excluded from repayment guarantee**

The following are excluded from the repayment guarantee provided by the Fund:

- a. deposits made by credit institutions, financial companies, financial institutions, insurance companies, pension fund management companies or entities within the public administrative sector, in their name and on their account;

- b. deposits resulting from transactions in respect of which a final judgement has been pronounced by a court for an offence which constitutes a money-laundering crime;
- c. deposits made in the name of investment funds, pension funds or other collective investment undertakings;
- d. deposits held by members of BPI' s management or supervisory bodies, shareholders with qualifying holdings in BPI, statutory auditors at its service, external auditors providing audit services or persons with a similar status in other companies which are in a controlling or group relationship with BPI;
- e. deposits held by spouses, blood relatives or first degree related members, or third parties acting on behalf of depositors referred to in the preceding paragraph;
- f. deposits held by companies in a controlling or group relationship with BPI;
- g. deposits in respect of which the holder has unjustifiably obtained from BPI, for its own benefit, rates or other financial advantages which have contributed to deteriorate the financial position of the credit institution where the deposits are not available.

### **Repayment**

- a. Full repayment will be made as follows: a part up to € 10,000 euro of all deposits covered, within seven days at the latest;
- b. the remainder up to the limit guaranteed, within one month at the latest;

The aforesaid periods will be count from the date the deposits become unavailable, and the Fund may, under exceptional circumstances and in respect of individual cases, ask Banco de Portugal for a maximum of three extensions to that deadline, and no extension may exceed one month. The aforesaid deadline will not affect the right of depositors to claim from the Fund the amount owed to them, without prejudice to the prescribed period established by general law.

## VII - CLIENT COMPLAINTS

Depicted below are details and *modus operandi* of BPI Group's service (common to Banco BPI, S.A., Banco Português de Investimento, S.A. and BPI Gestão de Activos - Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.) designed to receive and review client complaints.

### 1. The importance of complaints at BPI Group

BPI considers that each complaint is an opportunity to improve the quality of the service provided and, therefore, to reinforce the relationship with each Client. Solving Clients' problems, complaints or dissatisfaction is therefore essential for an ongoing improvement in the service provided.

BPI Group's department responsible for the reception and analysis of complaints receives and reviews all claims addressed to it, irrespective of whether they are from BPI Group clients or from other persons.

### 2. BPI Group's department responsible for receiving and handling complaints

The BPI Group's department responsible for receiving client complaints relating to investment services or ancillary investment services is *Novos Canais - Gestão de Reclamações* (New Channels - Complaints Handling). This department has a team of specialists in handling complaints *Área de Gestão de Reclamações* (Complaints Handling Area) which monitors each complaint process, from the date the complaint is lodged with the BPI Group until the response is sent back to the client.

The priority of the Complaints Handling Area is to ensure a high standard of quality in responding to complaints, namely in respect of the contents and time of response, as well as the effective resolution of the complaint.

The Complaints Management Area has the following competences:

- I) to receive and record in a special application complaints lodged by clients;
- II) to handle complaints received immediately and to draw up the corresponding answers, contacting for this purpose the relevant BPI Group's departments, where applicable;
- III) to give an answer to the client no later than fifteen days following the date the complaint is received;
- IV) to Keep on file, for a maximum 5-year period, the full record of complaints submitted by clients;

Any information on client complaints is included in the reports sent to the competent Supervision Authorities.

### 3. How to submit a complaint

Written complaints must be submitted in a clear and concise manner, detailing full name and account number, in the case of Clients, and the number of an identity document (ID card or taxpayer number), in the case of other persons. Complaints should be accompanied, where applicable, by other documents deemed relevant, namely, any correspondence previously exchanged with the BPI Group.

Complaints can be submitted via the following channels.

**Letter**

Direcção de Novos Canais – Gestão de Reclamações  
Rua Tomás da Fonseca, Torres de Lisboa  
Torre H - 2º andar  
1600 – 209 Lisbon

**Fax**

21 724 1888

**Online form**

By completing our online form available at any of BPI Group's websites, clicking on "contact us".

**Email**

[bpi.reclamacoes@bancobpi.pt](mailto:bpi.reclamacoes@bancobpi.pt)

**Complaints book**

Available at all BPI Group's branches

**Branch network**

You may submit your complaint directly at any of our Branches, where it may be handled promptly.

**Telephone Banking Service**

Via BPI Directo Service: 808 200 500

Investors may also post anonymous or confidential complaints:

**Comissão de Auditoria (Audit Committee)**

Rua Tenente Valadim, 284  
4100-476 Porto

Investors can also address their complaints to:

**Comissão do Mercados de Valores Mobiliários**

Gabinete de Apoio ao Investidor;  
Av. da Liberdade, nº 252, 1056-801 Lisboa or via their site [www.cmvm.pt](http://www.cmvm.pt)

## VIII - INVESTMENT SERVICES AND ACTIVITIES IN FINANCIAL INSTRUMENTS

Detailed below are generic investment services and activities in financial instruments to be provided by the BPI Group to its Clients, and potential Clients, whose purpose may be to invest in financial instruments tradable at any time through the BPI Group:

1. Reception and transmission of orders on behalf of third parties;
2. Execution of orders on behalf of third parties;
3. Portfolio management on behalf of third parties, upon a prior special agreement;
4. Investment advice to be regulated upon a prior special agreement;
5. Dealing on own account.

BPI and/or Banco BPI may also provide investment services in financial instruments related to underwriting and placing in public offerings, with or without a firm commitment basis. Banco BPI and/or BPI may also provide, as an investment service in financial instruments, (i) advice on capital structure, industrial strategy and related matters, as well as on merger and acquisition of undertakings, and (ii) assistance in public offerings of securities.

The Group may also provide services ancillary to the aforesaid investment services and activities concerning the (i) registration and deposit of financial instruments, as well as services related with its safekeeping, in the financial instruments Custody Account opened with BPI or Banco BPI; (ii) credit granting, including securities loan, to carry out transactions in financial instruments, subject to BPI or Banco BPI' s previous decision; (iii) drawing up of investment research, financial analysis or other forms of general recommendations relating to transactions in financial instruments; and (iv) foreign exchange services and safety deposit box service, linked to the provision of investment services.

The BPI Group may also provide, as an ancillary service, the services and activities detailed in items 1 to 5 above, when relating to any of the following underlying assets:

- commodities, climatic variables, freight rates, emission allowances, inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties;
- commodities that can be physically settled, provided that they are traded on a regulated market or an MTF (multilateral trading facility) or, not being for commercial purposes, which have the characteristics of other derivative financial instruments, under the terms of Article 38 of Commission Regulation (EC) no. 1287/2006, of 10 August;
- any other derivative contracts, namely relating to any of the particulars stated in Article 39 of the Commission Regulation (EC) no. 1287/2006, of 10 August, provided that they have the characteristics of other derivative financial instruments, under the terms of Article 38 of the aforesaid Regulation.