



ASSET PROTECTION
POLICY

Index

1. Introduction	3
2. General principles for protecting clients' financial instruments and funds	3
2.1. Own assets and client assets	3
3. Deposits of securities and other financial instruments	4
3.1. Segregation of accounts	4
3.2. Reconciliation	5
4. Protection of client money	5
5. Use of clients' financial instruments and funds	5
6. Communication to clients	6
7. Review of the Asset Protection Policy	6
8. Legal framework	6
Additional information	7

1. Introduction

Andorran legislation, in Law 8/2013, article 12.1, establishes that *“Entities operating within the financial system that have clients’ assets at their disposal must take reasonable measures to protect their clients’ rights over the financial instruments and funds that are entrusted to them, prevent unlawful use of them and create records that identify each client’s assets and their own”*.

To fulfil the client protection objectives embodied in this law, especially in the event of the firm’s failure, Mora Banc Group, SA (hereinafter “MoraBanc”) has drawn up this Asset Protection Policy.

2. General principles for protecting clients’ financial instruments and funds

As specified in the above-mentioned legislation, and according to article 5 of the implementing Regulations for Law 8/2013, *“entities operating within the financial system can deposit the financial instruments of their clients” that are in their custody in an account or accounts at a third party provider, as long as the entities operating within the financial system act with due competence, care and diligence when selecting, designating and periodically reviewing the third party provider, and when adopting the provisions governing the holding and custody of those financial instruments.*

In particular, entities operating within the financial system must consider the expertise and prestige of the third party provider within the market, and also any legal or practical market requirement relating to the holding of these financial instruments that could unfavourably affect the rights of the clients.

2.1. Own assets and client assets

The account structure that MoraBanc has established within its system clearly differentiates financial instruments belonging to the entity from instruments belonging to clients, and identifies the assets belonging to each one.

At all the depositories that MoraBanc uses to provide support to its clients in the different markets within which it operates, assets owned by the entity are differentiated from assets owned by the clients.

3. Deposits of securities and other financial instruments

MoraBanc uses depositories with global prestige and expertise to carry out this activity.

When choosing a depository, certain criteria are analysed and evaluated, such as: reputational risk, track record, international prestige, speed and efficiency, rating, solvency, quality certificates, Qualified Intermediary reports, market coverage and specialisation.

Equally, MoraBanc has an internal procedure which details the procedures for selecting and continually monitoring the depositories.

Every six months, a follow-up review is made of all the depositories with whom MoraBanc has a relationship. A merit matrix is prepared to evaluate a whole series of fixed, previously-defined points, such as reputational risk, speed or efficiency. An assessment is obtained for each depository which, together with fixed weightings in the matrix, leads to a final grade. This assessment assists and supports the decision on the depository and, where applicable, to make any necessary modifications to correct any shortcoming.

Periodically, MoraBanc contacts these entities to monitor operations.

3.1. Segregation of accounts

At all the depositories, the account structure segregates client operations from operations on their own behalf. This segregation uses separate accounts to carry out transactions on a differentiated basis, based on their origin.

As stipulated in article 12.3 of Law 8/2013, entities operating within the financial system that deposit financial instruments or cash with third parties *“must fulfil the following requirements:*

- a) *keep all necessary records and accounts to enable them, at any moment and without delay, to distinguish the assets of one client from the assets of other clients, and from their own assets;*
- b) *keep the records and accounts in such a way as to ensure accuracy and especially correlation with the clients’ financial instruments and money;*
- c) *take reasonable measures to ensure that the clients’ financial instruments or money received on settlement of the executed order are assigned to the client’s account according to the settlement standards of the relevant market;*
- d) *regularly reconcile their accounts and internal records with those of third parties holding those assets, whether in an individual account, a global account or an omnibus account;*
- e) *take appropriate organisational measures to manage the clients’ assets and/or rights relating to those assets carefully and diligently, according to their strict instructions or, if none, under the best possible conditions, and*
- f) *take appropriate organisational measures to minimise the risk of loss or decline in value of the clients’ assets, or the rights relating to those assets, due to improper use of the assets, fraud, poor administration, inadequate maintenance of records or negligence.”*

3.2. Reconciliation

MoraBanc guarantees the accuracy of the internal records of financial instruments belonging to the bank and the clients by carrying out the reconciliation processes described below:

Movements

Operations in international markets are carried out according to the premise of delivery or receipt against payment, so the money is not transferred until receipt of the securities in purchase transactions, and vice versa in sales transactions.

MoraBanc has systems in place to monitor such operations to ensure that all transactions are successful.

Positions

MoraBanc has an application that automatically compares the positions sent to the entity by the different depositories, mostly by SWIFT, with the positions recorded in the books, and automatically edits any discrepancies that might have occurred.

Operational processes

For operations in fixed income and variable income instruments, MoraBanc has real time connections with the depositories that enable the viewing and detailed monitoring of all transactions carried out.

Periodically, meetings are held to analyse any detected problems, streamline the processes and study new functions, and also meetings with other providers of this kind of service to find out about the existing supply.

4. Protection of client money

MoraBanc, as a banking institution with the appropriate government authorisation, acts directly as a depository of its clients' cash accounts, via accounts with different names in the bank's own accounts.

5. Use of clients' financial instruments and funds

MoraBanc does not use the financial instruments or funds that it holds on behalf of the clients in financing transactions for activities on its own behalf.

Nor are there agreements between MoraBanc and its clients to carry out financing transactions using the financial instruments belonging to the clients.

If it were wished to reframe this activity in future, express authorisation would be needed from the clients and MoraBanc would have to specifically follow the instructions and conditions approved by the clients.

Movements of financial instruments are based exclusively on the instructions given by the clients or mandatory corporate movements.

6. Communication to clients

The Asset Protection Policy is available to clients both on the entity's website www.morabanc.ad and at any MoraBanc branch.

Equally, the entity will provide an updated document to clients who request it, with a list of depositories where the clients' assets are deposited.

7. Review of the Asset Protection Policy

The Asset Protection Policy must be reviewed at least once every two years and also in the case of:

- Internal audits
- Annual external audits
- Legislative changes

8. Legal framework

This policy has been drawn up according to the provisions of current legislation.

Andorran regulations:

- Law 8/2013, of 9 May, on the organisational requirements and operating conditions of entities operating within the financial system, investor protection, market abuse and financial collateral arrangements.
- Implementing Regulations of Law 8/2013, of 9 May, on the organisational requirements and operating conditions of entities operating within the financial system, investor protection, market abuse and financial collateral arrangements.

Additional information

Version	Date
V5	October 2020
V4	August 2019
V3	January 2017
V2	November 2013
V1	October 2011



morabanc.ad