

Erik Penser Bankaktiebolag

Conflicts of interest

Private Client Brokerage and Institutional Brokerage

The Private Client brokerage business area focuses on the client group categorised as Non-professional Clients. The Institutional Brokerage business area focuses on Professional Clients and Eligible Counterparties.

For reasons of physical space, the business areas are located in the same offices but with different trading desks. Within each area, the tasks of giving Investment advice, receiving orders and executing orders may be carried out by the same person.

The following potential conflicts of interest have been identified:

It is possible that a financial or other interest in favouring a client or client group over another client may arise.

This is managed in the following way:

EPB has adopted a policy on Best Execution. This policy includes a requirement that comparable client orders will be executed immediately and in the order in which they are received.

EPB maintains an analysis of each client's requirements, i.e. it gathers information in order to give the client advice on investments that suit the client's requirements. This focus on the individual client reduces the possibility of favouring

- (1) a client/client group to the disadvantage of another client or clients, or
- (2) a professional client to the disadvantage of a non-professional client or clients.

EPB has established internal rules on the documentation required for client instructions.

Structured Products

This department distributes its products both via external distributors and by direct sales to the firm's own clients. Investment advice given to clients principally comprises of suggestions to lock in profits, i.e. to sell a current position and subscribe to a new product when the client's position has reached a certain price. EPB is a market maker in the structured products for which it is a manager.

The following potential conflicts of interest have been identified:

There is a risk that EPB realises a commercial profit, or avoids a loss, to the disadvantage of a client. EPB's commercial interest in a service or transaction may differ from that of

the client. Remuneration is received from a party other than the client (most often the issuer) that exceeds the brokerage fee paid by the client.

This is managed in the following way:

When making a suggestion to lock in profits, no commission is charged on the sales amount that is equivalent to the nominal amount reinvested.

Brokerage costs for the market maker function concerning structured products are entirely transparent to the client. The risk warning in the marketing material states that the products involve price-setting risk. This cost is very difficult to quantify precisely, and is therefore described in general terms.

The market maker function is continually monitored by Risk Management in order to ensure fair pricing for clients.

Asset Management

This business area offers discretionary and advisory asset management services.

The following potential conflicts of interest have been identified:

It is possible that EPB may have a financial or other interest in favouring a client or client group over another client. EPB's commercial interest in a service or transaction may differ from that of the client.

This is managed in the following way:

In the case of discretionary asset management, EPB charges the client an annual fee but may also receive commission other remuneration for products where it acts as an intermediary. This may create a conflict of interest if the Client's investments are principally invested in instruments that generate dealing fees or commission for EPB. In order to avoid this, EPB has a stated objective that the fees charged for asset management should represent the majority of its income rather than dealing fees and commissions.

The asset management activities are carried out in locked offices that are completely separate from the rest of EPB's business activities. Other than the department's own employees, access to these offices is limited to maintenance staff, and senior officers with staff functions.

If anyone, whether internal or external, other than personnel as mentioned above requires access to the Asset Management department's offices, this must be approved by the Managing Director or by the Compliance department.

Corporate Finance

This business area offers corporate finance advice in the areas of corporate structure, raising risk capital, company valuations, prospectuses etc.

The following potential conflicts of interest have been identified:

There is a risk that EPB realises a commercial profit, or avoids a loss, to the disadvantage of a client.

This is managed in the following way:

Any improper use of information about assignments or other activities carried out by the department may lead to a conflict of interest. The corporate finance activities are therefore carried out in locked offices that are completely separate from the rest of EPB's business activities. Access to these offices is limited to the department's own employees, maintenance staff and officers with staff functions.

If anyone, whether internal or external, other than personnel as mentioned above requires access to the Corporate Finance department's offices, this must be approved by the Managing Director or by the Compliance department.

In addition, the Corporate Finance department has its own telephone system, telefaxes and printers.

Documentation that relates to a customer assignment, together with any other documentation that may have an effect on the pricing of financial instruments, is kept in locked cupboards or behind locked doors.

Employees, close associates of employees and any other relevant persons in the department are not permitted to invest in a company for which the department is carrying out an assignment, or in any company that is a close associate of such company, at any time during the continuance of such an assignment.

Trading

This business area carries out trading for EPB's own account in EPB's name.

The following potential conflicts of interest have been identified:

There is a risk that EPB realises a commercial profit, or avoids a loss, to the disadvantage of a client. EPB's commercial interest in a service or transaction may differ from that of the client. EPB carries out activities of similar type to those carried out by clients.

This is managed in the following way:

The business area operates from premises that are completely separate from other departments of the firm that carry on commercial activities, both in physical terms and in terms of information.

EPB has adopted specific rules for the Trading department that include formal limits for risk exposure.

Investment Research

The Investment Research department produces investment analysis and investment recommendations for EPB's clients.

The following potential conflicts of interest have been identified:

There is a risk that EPB realises a commercial profit, or avoids a loss, to the disadvantage of a client.

This is managed in the following way:

The Investment Research department can only participate in the work of the Corporate Finance department if this is approved by the Managing Director. The Corporate Finance department is not permitted under any circumstances to participate in preparing or approving investment recommendations.

The investment recommendations prepared by the Investment Research department shall state whether the person(s) responsible for preparing the recommendation has/have any holdings of shares or equity-related instruments in the company in question. Similarly, if the relevant person(s) has/have no such holdings, this will also be stated.