



HAITONG

**REGULATION No.R57
New Product Approval Regulation
of Haitong Bank, S.A.**

Approved by the Board of Directors
on the 28th of December, 2021

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1. OBJECTIVE

The purpose of this Regulation of Haitong Bank, S.A. (hereinafter, the “Bank”) is to establish governance rules for the approval and review of new products and/or services that the Bank makes available to its clients, new distribution channels or geographies where the Bank wants to provide its services, as well as support services that have an impact on the operation of the products marketed by the Bank, namely systems, infrastructure, etc.

2. GOVERNANCE

- a) This Regulation is prepared by the Compliance and Risk Management Departments.
- b) This Regulation is reviewed by the above mentioned departments.
- c) This Regulation is approved by the Board of Directors.

3. RECIPIENTS

- a) This Regulation is applicable to Haitong Bank, S.A. and all the Bank’s branches.

4. DISCLOSURE

- a) This Regulation is available on the Bank’s intranet and corporate website;
- b) After any amendments are approved to this Regulation, the Compliance Department informs by e-mail all Bank’s staff within 30 (thirty) days from the approval date and requests the upload of the most updated versions of the Regulation onto the intranet and corporate website.

5. PRINCIPLES

- a) This Regulation aims at establishing the framework for the approval of products and/or services, combining the best market practices with the mandatory legal and regulatory requirements.

6. LEGAL FRAMEWORK AND RELATED INTERNAL RULES

- a) EBA Guidelines on internal governance (EBA/GL/2017/11);
- b) Directive 2014/65/EU (MIFID II);
- c) Portuguese Securities Code (Código dos Valores Mobiliários), articles 309-J) to 309-L);

- d) New Business Committee Regulation;
- e) Approval of New Products Procedure (#265).

7. REGULATION CONTENT

The present Regulation addresses the requirements related to the development of new markets, products and services, and significant changes to existing ones, as well as exceptional transactions involving bespoke conditions. These situations include, amongst others, the following:

- a) new products or services;
- b) setting-up structures (e.g. new distribution channels, new subsidiaries or branches or single-purpose vehicles); and
- c) Critical changes to the Bank's systems.

The Bank's definition of 'new product/market/business' is understood to be a product, market or business that has not been performed before by the Bank. It can be performed for the first time, in a new market or new geography, or offered/provided to a new type of customer or counterparty.

The Bank's definition of 'significant changes' is understood as a previous product/market/business that has been expanded or modified, entailing different risks and/or involving different processes compared to the existing ones.

8. NEW BUSINESS COMMITTEE

The New Business Committee is the Bank's committee that is empowered by the Executive Committee to perform a preliminary analysis of new products/businesses/markets. This Committee gathers inputs from all relevant departments and is a forum for brainstorming, analysis and discussion of ideas. After an overall assessment, the Committee submits a recommendation for the approval of the Executive Committee.

9. MAIN ISSUES TO BE ADDRESSED BEFORE A DECISION IS MADE

This Regulation explains the considerations to be taken into account before a decision is made to enter new markets, deal in new products, launch a new service, or make significant changes to existing products, services, distribution channels or supporting systems.

The following Bank departments shall be involved in the decision-making process in order to assess the various dimensions of the impact/requirements related to the decision, which will be discussed on the New Business Committee:

- CEO Office;
- IT;
- Risk Management;
- Operations;
- Finance;
- Human Resources;
- Legal;
- Compliance;
- Data Protection Officer (DPO);
- Other departments (if necessary).

The request/proposal of a new product/market/business shall include the following analysis, without limitation:

- strategic elements (rationale for the business, strategic fit in the Group's overall strategy, competitive advantage and competitive position);
- accounting, credit exposure, hedging instruments (if needed);
- pricing models;
- addressable market clients, counterparties, revenues and costs;
- impact on the risk profile, capital adequacy and profitability;
- availability of adequate front and back resources;
- availability of adequate internal tools, including IT tools, and expertise to understand and monitor the associated risks;
- regulatory compliance and product governance issues;
- product governance (requirements related with the manufacturing or distribution of a new product/service and requirements related with the ongoing monitoring of a product/service throughout the life of the product/service); and
- human resources issues (team organizational chart, in-house vs hiring externally, remuneration structure).

The decision to launch a new activity should clearly state the business unit and individuals responsible for the project (accountability) and allocate specific responsibilities to departments and specific staff members.

When a decision is related with the setting up of a new business, it shall be agreed in advance: (i) the allocation of adequate resources to run such business; and (ii) the identification of new risks involved with such new business and relevant planning to mitigate and/or eliminate such risks.

The process of evaluating new products/services must follow the rules established in the New Business Committee, thus following the procedures for discussion and product approval, namely:

- Preparation of a business case;
- Analysis of advantages and disadvantages and main risks (prepared by the proponent of the product/service);
- Committee members carry out an impact analysis and which risks and respective controls to consider;
- Committee members (voting and non-voting) must have their opinion formalized;
- Proceed with final approval in accordance with committee rules;
- Address the committees' opinions to the Executive Committee.

The risk analysis of new products and services must follow the process of the three lines of defence, with the proponents of the new business proposals being required to carry out a preliminary analysis of the risks of the new product/services, being subsequently complemented by the internal control functions' analysis. As required in the EBA Guidelines, the Risk Management Function and the Compliance Function should be involved in the approval of new products or significant changes to existing products, processes and systems. The input from the control functions shall complement an assessment of risks arising from new activities under a variety of scenarios, of any potential shortcomings in the institution's risk management and internal control frameworks, and of the ability of the institution to manage any new risks effectively.

The Risk Management Function should also have a clear overview of the roll-out of new products (or significant changes to existing products, processes and systems) across different business lines and portfolios.

10.ARCHIVE

The Compliance Department maintains an archive in digital format of this Regulation. This digital archive is maintained in the Compliance Department's shared folder "Comply".

11.ENFORCEMENT

- a) The Compliance Department monitors compliance with this Regulation by ad-hoc testing action.
- b) The Compliance Department coordinates with the Administrative Department on the publication of this Regulation on the Bank's intranet and website.

12.CONTROL OF VERSIONS

Table 1: Information about the Document

Name of the Document	New Product Approval Regulation
Version	Version 1.0
Prepared by (Name/Department)	Compliance and Risk Departments
Endorsed by (Committee name)	n.a.
Approved by (Committee name)	Board of Directors