



Baltic International Bank

APPROVED  
at the meeting held by  
JSC „Baltic International Bank”  
Supervisory Board  
on 16 September 2019  
Minutes No 25-01/05/19

ADOPTED  
at the meeting held by  
JSC „Baltic International Bank”  
Management Board  
on 27 June 2019  
Minutes No 01-05/41/19

## Client Order Execution Policy (transactions in financial instruments)

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### 1. Organisational Properties of the Document

Version No	Effective date	Summary of amendments	Pages	Annexes
1.	01.08.2018	The Policy has been revised to meet the MiFID II requirements.	19	4
2.	25.09.2019	The Policy has been slightly revised to meet the timeline approved by the Management Board and specified in the <i>document update schedule</i> .	19	4

<b>Process</b>	To provide standard brokerage services (according to the „List of Processes and the Owners Thereof” approved by Bank)
<b>Owner of the process</b>	Responsible member of the Management Board
<b>Owner of the Policy</b>	Head of the Asset Management and Brokerage Services Department (AMBSD)

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<b>Code of the Policy</b>	PO270/258/V02
<b>Scope of application</b>	All of Bank's employees
<b>Recipients of the Policy-specific approval notifications</b>	<p><b>The Policy is binding upon the above mentioned officers (they are recipients of the notifications):</b></p> <ul style="list-style-type: none"> <li>- the Heads of all departments and divisions</li> </ul> <p>Recipients of the Policy-specific approval notifications must ensure that their subordinates (who are involved in performing functions and activities described herein) familiarise themselves with the Policy.</p>
<b>Overall supervision over compliance with the Policy</b>	The Management Board
<b>Policy considered null and void</b>	The "Client Order Execution Policy (transactions in financial Instruments" approved by the Supervisory Board on 27 July 2018 (Minute No 25-01/09/18).
<b>Regularity of the updates</b>	This Policy is revised and updated as often as necessary but at least once every year in order to bring the Policy in line with Bank's strategy, external legal instruments and the standards of best practice. The Compliance Department, the Legal Department, the Customer Supervision Department or the Internal Audit Function verify (in the manner and to the extent prescribed by the Management Board) whether client order are executed in accordance with the Policy. If necessary, they propose amendments to the Policy or other measures aimed at achieving the Policy objectives and facilitating adherence to the Policy.

## 2. Definitions and Interpretation

For the purposes of this Policy:

**Bank** means Joint Stock Company Baltic International Bank.

**Financial Instruments** means financial instruments and/or derivative financial instruments as specified in Article 3 (2) the Financial Instruments Market Act as well as FX margin trading.

**Investment Services** means investment services (core services) and/or ancillary (non-core) services within the meaning of the Financial Instruments Market Act.

**Client** means a person to whom Bank provides Investment Services based on the Agreement whereby the Bank ensures provision of investment services to Client or management of Client's assets.

**Order** means

- an Order submitted by Client to Bank, in the form and manner determined by the Bank, as part of the Investment Services arrangement (Order represents the expression of Client's interest in dealing in Financial Instruments (to buy, sell, transfer to another account or to another person, deregister, pledge as collateral, etc.); or
- an Order prepared by Bank on Client's behalf.

**Order Execution** means the execution of Orders in the manner prescribed in cl. 4.13 hereof.

**Client's Status** means a categorisation (as an eligible counterparty, professional client or retail client) that is granted by Bank based on an adequate assessment of the expertise, experience and knowledge of Client with respect to investments / investment services, investment transactions and financial instruments.

**Counterparty** means a third party (either a local, i.e. domiciled in the Republic of Latvia, or foreign legal entity) which is eligible, in accordance with the applicable laws and regulations of the respective jurisdiction, to provide investment services and whom Bank engages to provide Investment Services, including execution of transactions in Financial Instruments and custody of Financial Instruments. The most important Counterparties are included on the List of the Counterparties approved by Bank's Management Board.

**Policy** means this "Client Order Execution Policy (transactions in financial instruments)".

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**Multilateral Trading Facility (MTF)** means a multilateral system, operated by an investment firm or a credit institution or market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract.

**Organised Trading Facility (OTF)** means a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract.

**Agreement** means an agreement entered into between Bank and Client whereby Bank ensures provision of investment services to Client or management of Client's assets.

**Specific Instructions** means the scope of express instructions given by Client as to how an Order for a transaction in Financial Instrument is to be executed (e.g. the timing of execution, execution venue, price and the price-dependent size of the transaction, etc.).

**Execution Venue** means an execution venue as specified on the „List of the Execution Venues“ (Annex 1 to this Policy).

**First-in-first-out (FIFO) Method** means that what comes in first will be handled first; under the FIFO Method, Orders are executed in the sequence in which they have been received from Client.

**FIMA** means the Financial Instruments Market Act [*Finanšu instrumentu tirgus likums*] of the Republic of Latvia.

**Non-complex Financial Instruments** means financial instruments mentioned in Article 126.<sup>2</sup> (12) 1) a), b), c), d) and e) of the FIMA and other previously unmentioned financial instruments if they satisfy the following criteria specified in Article 57 of the Regulation (EU) No 2017/565:

- they do not fall within Article 4(1)(44)(c) of, or points (4) to (11) of Section C of Annex I to Directive 2014/65/EU (the MiFID II Directive);
- there are frequent opportunities to dispose of, redeem, or otherwise realise that instruments at prices that are publicly available to market participants and that are either market prices or prices made available, or validated, by valuation systems independent of the issuer;
- they do not involve any actual or potential liability for the client that exceeds the cost of acquiring the instruments;
- they do not incorporate a clause, condition or trigger that could fundamentally alter the nature or risk of the investment or pay out profile, such as investments that incorporate a right to convert the instrument into a different investment;
- they do not include any explicit or implicit exit charges that have the effect of making the investment illiquid even though there are technically frequent opportunities to dispose of, redeem or otherwise realise them;
- adequately comprehensive information on their characteristics is publicly available and is likely to be readily understood so as to enable the average retail client to make an informed judgment as to whether to enter into a transaction in that instruments.

A non-exhaustive list of Non-complex Financial Instruments is posted on Bank's website <https://www.bib.eu/en/documents#A3> (section "Documents relevant to transactions in financial instruments").

**Types of Financial Instruments:** Bank's document titled „Description of Financial Instruments and Inherent Risks“ contains a brief description of the types of financial instruments. The document is available on Bank website [www.bib.eu](http://www.bib.eu).

**Equivalent Third-Country Trading Facility** means a third-country (i.e. a non-EU) trading facility that performs an analogous function to a regulated market considered by the European Commission as equivalent third-country market in accordance with DIRECTIVE 2014/65/EU OF THE EUROPEAN

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PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

**Third Country** means a non-EU and non-EEA country or jurisdiction.

**Securities Financing Transaction (SFT)** means a repurchase transaction; securities or commodities lending and securities or commodities borrowing; a buy-sell back transaction or sell-buy back transaction; a margin lending transaction within the meaning of REGULATION (EU) 2015/2365 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012.

**Over-the-Counter (OTC) Product** means a Financial Instrument that is not admitted for trading on a regulated market and is not traded on a MTF or an OTF.

**Regulation (EU) No 2017/565** means COMMISSION DELEGATED REGULATION (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

**Regulation (EU) No 2017/587** means COMMISSION DELEGATED REGULATION (EU) 2017/587 of 14 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments and on transaction execution obligations in respect of certain shares on a trading venue or by a systematic internaliser.

**Regulation (EU) No 2017/575** means COMMISSION DELEGATED REGULATION (EU) 2017/575 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards concerning the data to be published by execution venues on the quality of execution of transactions.

### 3. General Provisions

- 3.1. Bank has formulated this Policy to set forth the basic principles and elements that are conducive to ensuring a qualitative Order Execution process and achieving the best result for its Client when providing Investment Services to Client and to inform Client about Bank's general Order Execution procedure. Bank consistently implements the Policy.
- 3.2. When accepting and executing Client Orders for dealing in Financial Instruments, Bank is guided by the following core principles:
  - 3.2.1. best execution obligation (the obligation to ensure best execution results for Client's transactions in Financial Instruments) is based on a balance between Client's costs and benefits in accordance with the statutory requirements;
  - 3.2.2. prompt, fair and expeditious execution of Client's Orders relative to the Orders of other Clients and Bank's own Orders (the trading interests of Bank);
  - 3.2.3. monitoring of the execution quality of all used execution venues and of the quality of performance of and services provided by Bank's Counterparties.
- 3.3. This Policy has been formulated in accordance with the FIMA and directly applicable EU legislation.
- 3.4. While providing Investment Services, Bank exercises reasonable care, skill and diligence and at all times strives to render the services on a professional basis and to act in accordance with the best interests of its Client. Bank takes all required and reasonable steps to obtain on a consistent basis the best possible result for the execution of client orders. Bank uses its expertise, experience and knowledge as a guide, acts in line with accepted market practices (AMPs), and applies appropriate prudence.

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- 3.5. Bank conducts transactions involving Financial Instruments owned, possessed or held by Client only if Client and Bank have signed the Agreement and Client has expressly agreed to abide by this Policy.
- 3.6. Client must thoroughly read the Policy, the List of the Execution Venues (Annex 1 hereto) and the List of the Counterparties before concluding the Agreement as well as before submitting every single Order. Client is obligated to keep track of the changes and updates to the aforesaid documents posted by Bank to Bank's website <http://www.bib.eu/en/documents>. Client expressly confirms his consent with the Policy either by signing Bank-approved *consent & acknowledgement form*, when signing the Agreement with Bank, or expresses its constructive consent (the consent is implied from the conduct) tacitly by submitting Order. Client will be deemed to have agreed with the amended Policy if Client submits Order to Bank after the respective amendments have taken effect.
- 3.7. Bank's Supervisory Board (Supervisory Board) revises the Policy together with the List of the Execution Venues (an annex to the Policy) at least once every year to bring the Policy in line with the changes in Bank's business, organisational structure and external circumstances affecting Bank's business. Bank also revises the Policy in other cases envisaged by other applicable laws or by the Policy.
- 3.8. The Supervisory Board approves the Policy. The Policy and amendments thereto, including Annex 1 to the Policy and amendments thereto, come into force with effect from the date set by the Supervisory Board.

#### 4. Types of Client Orders, Manner of Submission and General Execution Arrangements

- 4.1. Client may submit the following types of Orders:
  - 4.1.1. Limit Order – an Order whereby Client instructs Bank to execute a trade (to buy or sell a specific quantity of Financial Instruments) only at a specified price (the limit) or better;
  - 4.1.2. Market Order (also sometimes referred to as a 'unrestricted order') – an Order whereby Client instructs Bank to execute a trade (to buy or sell a specific quantity of Financial Instruments) at the prevailing market price;
  - 4.1.3. other types of Orders as provided for by the Agreement.
- 4.2. Client may submit Order, using the methods pre-agreed in the Agreement.
- 4.3. When accepting Client Order telephonically, Bank has the right to record the conversation with its Client and retain the audio recording. Phone-recorded conversations are regarded as sufficient proof of the receipt and of the contents of the Order.
- 4.4. Bank executes comparable Client Orders sequentially (in the order they are received) and promptly, unless the characteristics of a particular Order or prevailing market conditions make it impracticable (non-executable in 'as is' condition), or Client's interests require otherwise. However Bank retains the right to execute Orders in the order (sequence) as Bank considers appropriate to obtain the best possible result for Client. Client categorised as a 'retail client' is notified in a timely manner of any material difficulty likely to affect the proper execution of Order.
- 4.5. Receipt and processing of Client Orders depend upon the manner whereby such Orders arrive. The allocation of Orders for execution also depends not only upon the time-of-receipt of Orders, but also upon the manner (method) whereby Orders are submitted.
- 4.6. If Client, on his own initiative, furnished Bank with the Order to transact in Non-complex Financial Instruments, Bank does not carry out the *assessment of suitability and appropriateness* to judge if the instruments are appropriate and suitable for Client. Therefore, Client is not afforded the relevant level of regulatory protection that is afforded when Bank is obligated to assess if the respective Investment Service or Bank-offered Financial Instrument is suitable and appropriate

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for Client. If Client wants to carry out a transaction in Financial Instruments other than Non-complex Financial Instruments, Bank undertakes the appropriateness test. If, as the result of the appropriateness assessment, Bank arrives at the conclusion that Client-chosen Investment Service or transaction involving the respective Financial Instrument is assessed as inappropriate for Client, Bank gives Client a clear and prominent warning thereof. If, despite Bank's warning, Client requests Bank to proceed with the inappropriate service or to purchase the inappropriate Financial Instrument, Bank has the right to consider that Client fully assumes all risks associated with the Investment Service or the Financial Instrument.

- 4.7. Bank does not carry out the appropriateness test mentioned in cl. 4.6 above where Order is submitted by Client categorised as eligible counterparty (ECP) or professional client, and the status implies specific transactions and specific Financial Instruments regarding which the Order has been placed.
- 4.8. If Bank receives a to-be-executed Order from other Investment Services provider eligible to provide the respective Investment Service, Bank:
- 4.8.1. relies on Client-related information presented by the provider of Investment Services and on the Order and does not undertake the appropriateness test mentioned in cl. 4.6 above;
- 4.8.2. executes the Order in accordance with the information or recommendation provided to Client by the aforesaid provider of Investment Services; if the execution proves impossible or clearly contradicts this Policy, Bank refuses to execute the Order.
- 4.9. Once Client Order has been executed (after the respective transaction has been concluded and settled), Bank remits, without undue delay, Financial instruments and cash funds earned through a particular transaction to Client's Financial Instruments account and/or investment account held with Bank.
- 4.10. Client has the right to give Bank Specific Instructions with respect to (i) the execution of transactions in Financial Instruments and the allocation of Client Orders (when Bank manages Client's Financial Instruments on a discretionary basis); (ii) a person to whom Client's Order is to be routed for execution. Adherence to the specific instructions may prevent Bank from taking the steps that it has designed in its Policy to obtain the best possible results. Adherence to Client-provided specific instructions relieves and exempts Bank from its best execution obligations in respect of the elements (parts or aspects of Order) covered by those Specific Instructions. In this case, Bank follows Client's Specific Instructions or refuses to execute Order.
- 4.11. Bank has the right to aggregate (or 'bunch') Client's Orders with Orders of other Clients or with own orders of Bank, in accordance with the provisions outlined in Section 9 hereof.
- 4.12. Bank immediately and accurately registers Client Orders and the status thereof in the electronic register of orders.
- 4.13. Bank ensures Order execution in the following manner:
- 4.13.1. receives Order and transmits the Order to the respective Counterparty for execution;
- 4.13.2. independently executes the Order in the respective Execution Venue;
- 4.13.3. Orders in relation to initial public offering (IPO) Bank executes by transmitting them to the issuer, the issuer's authorised agent according to the terms of the respective issue and/or according to the Specific Instructions from Client.
- 4.14. If Client fails to specify the lifetime of the Order Bank, it is considered that the Order becomes invalid at the end of the submission day when the respective available execution venue is closed for trading.
- 4.15. If Bank places Order in its capacity as Client's investment portfolio manager, then the Order is considered Client's Order within the meaning of this Policy.

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- 4.16. Orders submitted by Bank on Client’s behalf to the respective Counterparty to ensure the execution of Client’s transaction in accordance with the provisions of the Agreement (e.g. in the case of stop loss order or when closing Client-opened position or when selling the financial collateral) are treated by Bank as the Orders personally submitted by Client, and Bank applies this Policy to the Orders.

## 5. Best Execution

- 5.1. Bank takes all reasonable steps to obtain, when executing Order, the best possible result (best execution) for its Client taking into account the following factors that affect the execution of the Order:
- 5.1.1. price and costs associated with the transaction,
  - 5.1.2. speed of the execution,
  - 5.1.3. likelihood of execution and settlement,
  - 5.1.4. size (volume) and specific nature of the transaction,
  - 5.1.5. type of Order (cl. 4.1 hereof),
  - 5.1.6. the manner of executing the Order and the methods used for the execution;
  - 5.1.7. other considerations relevant to the execution of the Order that can impact parameters of best execution.
- 5.2. To determine the relative importance of the best execution factors referred to in cl. 5.1 hereof, Bank additionally takes into account the following criteria:
- 5.2.1. the characteristics of the client including the categorisation of the client as retail or professional;
  - 5.2.2. the characteristics of the client order, including where the Order involves a securities financing transaction (SFT) within the meaning of the REGULATION (EU) 2015/2365 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012;
  - 5.2.3. the characteristics of Financial Instruments that are the subject of that Order;
  - 5.2.4. the characteristics of the execution venues to which that Order can be directed and executed (a regulated market, a MTF, an OTF, a systematic internaliser, a market maker or other liquidity provider or an entity that performs a similar function in a Third Country to the functions performed by any of the foregoing).
- 5.3. For the purposes of ensuring that Bank obtains the best possible result for the Client when executing a retail client Order, Bank normally delivers the best possible result in terms of the total consideration, representing the price of the Financial instruments and the costs related to execution, including all expenses incurred by Client while in legal relationship with Bank and directly related to the execution of the Order, such as execution venue fees, clearing and settlement fees, and any other fees paid to third parties involved in Order execution. However, in certain instances, depending on the nature of a particular Financial Instrument or Execution Venue-related features, Bank may attach greater importance to other execution factors (at individual or aggregate level) in a given situation, by providing the rationale for the achievement of the best possible result and adherence to the Policy upon Client’s request. For example, under liquidity constraints, or where there is no access to previously used execution venue, Bank may regard the likelihood of execution *per se* (as such) as the decisive/key factor.
- 5.4. To provide the best possible execution for professional clients, Bank takes into account the following significant aspects, such as ease and speed of execution, transaction size, likelihood of execution and settlement and nature of the transaction. The price of the Financial Instruments and execution-related costs are not regarded as priority factors.

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- 5.5. When considering the manner of executing a particular Order, Bank assesses whether the best possible result for the Client will be achieved if Bank independently executes the Order (cl. 4.13.2 hereof) or if it transmits the Order for execution to the respective Counterparty (cl. 4.13.1 hereof).
- 5.6. To comply with the best execution regime (the obligation to deliver the best possible result when executing client orders), Bank assumes and discharges its best execution obligations only to the extent that they are envisaged by applicable laws and regulations which are binding upon Bank and to the extent that the obligations are agreed upon between Bank and Client at the time of signing the Agreement.
- 5.7. Bank gives both retail clients and professional clients a clear and prominent warning that parameters of best execution can also be affected by other factors, such as type of Financial Instrument, likelihood of execution of the transaction, type (nature) of the transaction, execution venue, currency in which the transaction is denominated, and others. For example, liquidity factor is important for transactions in bonds or other OTC Products. As far as Financial Instruments characterised by low liquidity are concerned, there is increased emphasis on the speed of Order execution and likelihood of execution in respect of the size (the entire volume) of the Order.
- 5.8. Though, to the extent possible, Bank takes all sufficient steps and puts in place arrangements as may be necessary or appropriate to obtain the best execution results for its Clients, Bank cannot guarantee the best possible result for each Order (on every single occasion).
- 5.9. Bank regularly evaluates the quality of services provided through intermediation of Bank's Counterparties and their ability to deliver the best possible result to Clients. Bank evaluates parameters of best execution such as speed, ease and reliability of settlement, pricing policy and other relevant aspects in connection with Bank's Counterparties.
- 5.10. If only a single Execution Venue is accessible, then the comparison of attainable prices is difficult to do, and the execution of the Order in a particular Execution Venue is regarded as the achievement of the best possible result.
- 5.11. Where Bank offers or invites Client to choose an Order execution venue (a particular execution venue or a type of execution venue – a regulated market, a MTF, an OTF, a systematic internaliser, a market maker or other liquidity provider or an entity that performs a similar function in a Third Country to the functions performed by any of the foregoing), Bank provides Client with fair, clear and not misleading information to prevent the Client from choosing one execution venue rather than another on the sole basis of the price policy applied by Bank.

## 6. Selection of Execution Venues

- 6.1. When executing Client Order, Bank selects, at its sole discretion, the most appropriate Execution Venue, except when the law required Bank to execute Client's Order on a particular execution venue. The List of the Execution Venues (which is valid on the effective date of the Policy) is attached hereto as Annex 1.
- 6.1.1. Bank regularly, at least once every year, revises the List of the Execution Venues and amends (if necessary) Annex 1 of the Policy.
- 6.1.2. The List of the Execution Venues is an non-exhaustive one, and Bank has the right to select for Order execution an execution venue not appearing on the List of the Execution Venues execution venue if Client's interest so require (ease and speed of execution of the Order, better price) or whenever there is no access to the Execution Venues listed in Annex 1.
- 6.2. When selecting the most appropriate venue to execute the Order for the respective class of Financial Instruments, Bank takes into account the following parameters of best execution:
- 6.2.1. likelihood and reliability of settlements;
- 6.2.2. ease;

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- 6.2.3. prices for Financial Instruments;
  - 6.2.4. availability of information;
  - 6.2.5. the shortest possible access to the relevant Order execution venue;
  - 6.2.6. costs;
  - 6.2.7. liquidity.
- 6.3. When selecting the Order execution venue, Bank carries out an overall assessment of the factors mentioned in cl. 6.2 hereof. Bank keeps in mind that the chosen execution venue will not necessarily be getting the best price possible.
- 6.4. When selecting the most appropriate execution venue for Orders of retail client, the value of the transaction will be regarded as the most important factor. However, in certain cases where -- because of the size or nature of the Order --the transaction may have an impact on a prevailing price of the Financial Instruments, the Order may be transmitted to an Execution Venue that can provide the best execution service (ease and speed of execution and probability of execution and settlement).
- 6.5. When selecting the most appropriate Execution Venue for professional Client's Orders, speed of execution and settlement reliability will be regarded as the most important factors. Bank will route Client's Order to an Execution Venues that may ensure expeditious execution of the Order and settlement reliability. Bank executes Client's (categorised as 'retail client') Order outside a regulated market, a MTF or an OTF only after obtaining Client's consent prior to executing the Order.
- 6.6. Where more than one Execution Venue is capable of executing Client's Order for transactions in Financial Instruments, Bank assesses and compares the results for Client that would be obtained by executing the Order on each such Venue. In addition, Bank takes into account its own commissions and fees plus costs for executing the Order on each of the eligible Execution Venues.
- 6.7. In relation to some Financial Instruments, there may be only one accessible Execution Venue. In such circumstances, it will be assumed that Bank has obtained the best possible result in executing the Order in an Execution Venue accessible for Bank, if only there is an objective ground justifying the existence of the sole execution venue.
- 6.8. Bank can execute Client's Order outside a regulated market, a MTF or an OTF, unless Client has given a Specific Instruction stating that Client does not want to conclude the transaction outside a regulated market, a MTF or an OTF.
- 6.9. Bank is entitled to purchase Client's Financial Instruments and to sell to Client Financial Instruments, as owned and possessed by Bank, in the following cases:
- 6.9.1. Client himself requests that the Order-specified transaction be concluded with Bank;
  - 6.9.2. Bank itself acts as the sole possible execution venue;
  - 6.9.3. it is apparent from the Order that the transaction stipulated therein is concluded with Bank;
  - 6.9.4. in the case mentioned in cl. 7.8 hereof.
- 6.10. In the cases mentioned in cl. 6.9 hereof, when concluding a transaction with Client, Bank acts in the capacity of a full-fledged counterparty. This means that Bank and Client conclude a standalone special agreement concerning the provisions of the Order-specified transaction (including the price). Client explicitly agrees with Bank-indicated precise price (in the case of indicative price - when Client agrees with Bank-approved price). In such case, Bank will strive, to the greatest possible extent, to obtain for Client the best possible execution result. However, Bank warns Client that providing the best execution may not always be possible.

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- 6.11. Bank may execute (fill) Order fully or partially in relation to the Order submitted by any other Bank's Client. In this case, Bank executes the Order at a price reflecting prevailing market conditions, and Bank is regarded as the execution venue for Client's Order.
- 6.12. To execute Client's Order for a specified quantity of Financial Instruments, Bank may route the Order to different Execution Venues and/or different Counterparties, if the size (volume) of a particular Order so mandates.
- 6.13. Bank executes Orders for transactions in derivative financial instruments that are subject to the trading obligation referred to in the *Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012* on the trading venues specified in paragraph 1 of Article 28 of the Regulation.

## 7. Execution of Orders for Financial Instruments on a Regulated Market and a MTF

- 7.1. Bank primarily executes Client Orders for trading in the following Financial Instruments admitted to trading on regulated markets, MTFs or OTFs:
- 7.1.1. stocks (shares) admitted to trading on a regulated market, a MTF or an OTF;
  - 7.1.2. standardised derivative Financial Instruments admitted to trading on a regulated market or a MTF;
  - 7.1.3. units in collective investment undertakings admitted to trading on a regulated market or a MTF;
  - 7.1.4. bonds, derivative financial Instruments and structured finance products traded on an OTF.
- 7.2. Bank executes Orders for transactions in shares admitted to trading on a regulated market or traded on a MTF, Bank executes only on a regulated market, a MTF, a systematic internaliser or an Equivalent Third-Country Trading Facility, except when the trades (the transactions in the shares) are non-systematic, ad-hoc, irregular and infrequent, or are concluded between eligible counterparties (ECPs) or professional clients whose client status implies the respective transactions and shares, and they do not contribute to the price discovery process in accordance with Article 2 of the Regulation (EU) No 2017/587.
- 7.3. If Client's limit Order in respect of shares admitted to trading on a regulated market or traded on a MTF is not immediately executed under prevailing market conditions, Bank takes, unless Clients expressly instructs otherwise, measures to facilitate the earliest possible execution of that Order by making public immediately that Order. Bank meets this requirement by submitting the Order for execution to the respective regulated market or MTF or by transmitting the Order for disclosure (publication) to a *data reporting services provider* registered in a Member State of the European Union or the European Economic Area (EEA) if the Order can be easily executed as soon as market conditions allow.
- 7.4. If an unfilled (unexecuted) Client's Order (mentioned in cl. 7.2 hereof) Order is a large-in-scale order compared with normal market size, Bank may request the Financial and Capital Market Commission of the Republic of Latvia to exempt Bank from the obligation to publicly disclose the Order in accordance with Article 128.<sup>1</sup> (4) of the FIMA. An Order is considered to be large in scale where the Order meets the criteria specified in Article 7 of the Regulation (EU) No 2017/587.
- 7.5. If Client submits a Limit Order for transactions in shares admitted to trading on a regulated market or traded on a MTF and that Order is not immediately executed under prevailing market conditions, Bank executes that Order on a regulated market or a MTF as soon as market conditions allow.
- 7.6. Bank has the right, but not the obligation, to substitute (without obtaining a prior approval from Client) Client's Market Order by a Limit Order if the respective Financial Instrument is liquidity-constrained or if it is necessary to minimise (prevent) Client's losses or potential losses.

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- 7.7. Whenever Client gives Orders containing other type of instructions, such Orders will be considered as Orders containing „specific instructions“ and will be executed in accordance with the provisions of the Policy related to the execution of Orders containing specific instructions.
- 7.8. Whenever Client gives Order for a transaction in Financial Instruments that are normally traded on a regulated market, a MTF or an OTF, Bank may execute the Order outside a regulated market or a MTF or an OTF by concluding with Client a transaction where Bank acts in the capacity of a full-fledged counterparty, if under prevailing market conditions Bank is able (through such a method) to obtain for Client the execution result not worse than those reasonably expected from the execution of Client’s Order in an accessible Execution Venue on a regulated market, a MTF, an OTF or the respective systematic internaliser.

## 8. Orders for Transactions in Financial Instruments Traded Outside a Regulated Market

- 8.1. Before executing Orders, Bank notifies Client of the possibility to execute Orders outside a regulated market or a MTF if such a possibility is not provided for by the Agreement.
- 8.2. Bank predominantly executes Client Orders for transactions in the following Financial Instruments outside a regulated market or a MTF:
- 8.2.1. debt securities;
  - 8.2.2. money market instruments (MMIs);
  - 8.2.3. non-standardized derivative financial instruments;
  - 8.2.4. other Financial Instruments traded over-the-counter (OTC).
- 8.3. Where Client gives Bank an Order for a transaction involving fund shares (units) and such shares are traded outside a regulated market or a MTF, Bank transmits and /or executes Client’s Order for a transaction involving fund shares (units) and abides by the rules of the respective investment fund.
- 8.4. Where transactions are conducted outside a regulated market or a MTF or an OTF, the price is established based on the market price or on the value of the underlying assets.
- 8.5. When executing Order for a transaction involving an OTC product, Bank checks (before the execution of the Order) the fairness of the price of the OTC products, by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

## 9. Routing of Orders for Execution

- 9.1. When executing Client Orders for transactions in Financial Instruments that are traded in the Execution Venues not directly accessible to Bank, Bank routes the Orders to its Counterparties. Routing of the Order means that a third party conducts the transaction specified in the Order. Bank informs its Clients that Bank’s Counterparty has the right to re-route the Order for execution to its respective agent.
- 9.2. To execute Client Orders, Bank selects Counterparties that are able, at Bank’s sole discretion, to obtain on a consistent basis the best possible result for the execution of Client Orders and hence enable Bank to comply with the legal obligation of best execution. When selecting its Counterparties, Bank performs due diligence procedures to ascertain whether the choice of a particular Counterparty conforms to Bank’s regulatory framework (statutory documents, policies, guidelines, regulations and procedures). Bank regularly, at least once every year, revises the List of the Counterparties. The most current List of the Counterparties is attached (at the effective date of the Policy) to the Policy as Annex 1. The List of the Counterparties is updated in the manner prescribed by cl. 6.1 and Section 15 hereof.

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- 9.3. Bank has the right to select a Counterparty not appearing on the List whenever Client's interests so require (ease and speed of Order execution, better price) or whenever there is no access to the Counterparties included on the *List of the Counterparties*.
- 9.4. When routing Client's Order for execution to a particular Counterparty, Bank encloses the following information if Bank possesses such information in accordance with the applicable laws and regulations binding upon Bank:
- 9.4.1. information received, in accordance with the requirements of the FIMA, from Client specifically to determine whether a service rendered best suits Client's specific needs and interests;
- 9.4.2. information about recommendations and advice provided to Client by Bank (if any).
- 9.5. Bank's Counterparty executes Orders (received from Bank) in accordance with the Counterparty's adopted policies and rules for carrying out transactions, by using the available access to regulated markets and MTFs, OTFs or systematic internalisers or by routing the Orders to other intermediary entities.
- 9.6. Bank gives Client a clear and prominent warning as follows: when transmitting Client's Order for execution to its Counterparty, Bank is unable to maintain direct control over the entire Order execution process and adherence to the Order-execution principles laid down by the Policy. Bank therefore cannot guarantee achievement of the best possible result in relation to each Order executed through the Counterparty. However, Bank regularly assesses whether its Counterparties deliver the best possible result for Client Orders.

### 10. Aggregation and Allocation of Orders

- 10.1. Bank may aggregate (or 'bunch') Client's Order with own orders of Bank (acting as a party involved in the transaction) or with Orders of other Clients, on the basis that such bunching fosters the achievement of the best possible result for and satisfy the interests of the group of Clients, if simultaneously the following conditions are met:
- 10.1.1. it is unlikely that the aggregation of Orders will work overall to the disadvantage of any Client whose Orders is to be aggregated;
- 10.1.2. before aggregating the Orders, Bank gives each Client, whose Orders is to be aggregated, a clear and prominent warning outlined in cl. 10.2 hereof.
- 10.2. Before executing Client Orders, Bank notifies each Client of circumstances under which Client's Order will be executed in aggregations with another Client Order and/or Bank's own Order and discloses to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order. If Client does not agree with the aggregation, Client is obligated to notify Bank thereof immediately, otherwise Client's failure to give the notice will be regarded as Client's explicit consent to the aggregation.
- 10.3. Where Bank aggregates Client Orders and the aggregated Order is fully executed, Bank allocates (after the execution of the transaction, when Bank receives Clients' Financial Instruments and/or money) the related money and/or Financial Instruments in line with the principle of proportionality (i.e. proportionally with the volumes of the aggregated Orders).
- 10.4. If the aggregated Order is partially executed:
- 10.4.1. in respect of Financial Instruments traded outside a regulated market (OTC products) and bonds, the trades are allocated on a pro rata basis to all other participants. To this end, the quantity of the Financial Instruments or the amount of money stated in Client's Order is multiplied by the result obtained after dividing the cumulative quantity of the Financial Instruments (for which the bunched order has been filled / executed) by the cumulative quantity of the Financial Instruments included in the bunched Order;

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- 10.4.2. in respect of Financial Instruments admitted to trading on a regulated market, the Order execution results are allocated according to the first-in-first-out (FIFO) principle whereby the income earned in the form of money and Financial Instruments is allocated according to the sequence in which Orders have been received before the aggregation.
- 10.5. If Client's Order is bunched with Bank's own order, and Client's Order is only partially filled, then Client's Order will be given priority over Bank's order and the income earned in the form of financial instruments and/or funds (money) is allocated to Client in priority to Bank: firstly, in Client's favour; secondly in Bank's favour. Where Bank is able to demonstrate on reasonable grounds that without the aggregation it would not have been able to carry out Client's Order on such advantageous terms, or at all, it may allocate the transaction for own account proportionally (i.e. apply a proportionate income-sharing principle to Bank's transaction for own account and the quantity of Financial Instruments specified in Client's Order).
- 10.6. Bank has the right to allocate the Order if the allocation improves the Order execution result.

### 11. Service Fees and Incentives

- 11.1. Bank does not receive any discounts, rebates or other non-monetary benefits (inducements) for routing Orders to a particular execution venue or Order execution venue.
- 11.2. Bank receives only Order execution-related payments that meet the criteria set in Article 133.<sup>18</sup> of the FIMA and Bank's "Prevention of Conflict of Interest Policy (with reference to the provision of investment services)".
- 11.3. Bank discloses (before executing the Order) to Client any payments and incentives that Bank receives from the planned Order execution venue (a regulated market, a MTF, an OTF, a systematic internaliser, a market maker or other liquidity provider or an entity that performs a similar function in a Third Country to the functions performed by any of the foregoing). Bank is not required to disclose the information if it has already been posted to Bank's website.
- 11.4. Bank discloses all the fees charged by Bank to all counterparties involved in financial-instrument transactions, and where the fees vary depending on the client, Bank discloses the maximum fee or range of the fees that may be payable.
- 11.5. Where Bank charges more than one participant in a financial-instrument transaction, Bank discloses to Client the value of any monetary or non-monetary benefits received by Bank.
- 11.6. Where Bank applies different service fees depending on the Order execution venue (a regulated market, a MTF, an OTF, a systematic internaliser, a market maker or other liquidity provider or an entity that performs a similar function in a Third Country to the functions performed by any of the foregoing), Bank explains these differences in sufficient detail in order to allow Client to understand the advantages and the disadvantages of the choice of a single Execution Venue.

### 12. Disruption and Malfunctions in Trading Systems. Difficulties of Executing

- 12.1. While executing Orders, Bank may encounter various difficulties and risks, such as:
- 12.1.1. disruptions, malfunctions or failures in technical, information, settlements, communications or trading systems;
- 12.1.2. risks associated with exceptional market circumstances, liquidity problems, etc., which can hamper Order execution of Order or make it impossible, or cause other adverse consequences.
- 12.2. In the cases mentioned in cl. 12.1 hereof Bank may derogate from certain provisions of the Policy, including the following steps (suspend the execution of Order, stop out the trading position (compulsory closure) at the readily available market price, refuse to execute Order, terminate the

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transaction). Bank notifies Client thereof within a reasonable timeframe, or posts the respective information to Bank's website.

### 13. Quality of Execution Report

- 13.1. At least once every year Bank posts to its website the Quality of Execution Report (report on the quality of execution of transactions in Financial Instruments in relation to which Bank acts as the Order execution venue). The report includes relevant information about each Financial Instrument (in relation to which Bank acts as the Order execution venue), including the price, execution costs, speed of execution and likelihood of execution. The reports are available for downloading by Clients and third parties free of charge.
- 13.2. Once every calendar year (no later than 30 April of the year following the reporting year) Bank summarises and publishes the following reports for each type of financial instruments mentioned in Annex I of the *COMMISSION DELEGATED REGULATION (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution*, in respect of which Bank executes or accepts for execution Client Orders (provides an Investment Service mentioned in Article 3(4) 1) or 2) of the FIMA):
- 13.2.1. The format set out in Annex 2: top five execution venues ranked in terms of trading volumes (a regulated market, a MTF, an OTF, a systematic internaliser, a market maker or other liquidity provider or an entity that performs a similar function in a Third Country to the functions performed by any of the foregoing), excluding Orders for securities financing transactions in relation to which Bank has executed during the reporting period the Orders of Clients categorised as 'retail clients';
- 13.2.2. The format set out in Annex 3: top five execution venues ranked in terms of trading volumes (a regulated market, a MTF, an OTF, a systematic internaliser, a market maker or other liquidity provider or an entity that performs a similar function in a Third Country to the functions performed by any of the foregoing), excluding Orders for securities financing transactions in relation to which Bank has executed during the reporting period the Orders of Clients categorised as 'professional clients';
- 13.2.3. The format set out in Annex 4: top five execution venues ranked in terms of trading volumes (a regulated market, a MTF, an OTF, a systematic internaliser, a market maker or other liquidity provider or an entity that performs a similar function in a Third Country to the functions performed by any of the foregoing) in relation to which Bank has executed during the reporting period Client Orders for securities financing transactions;
- 13.2.4. the overview (the summary of the information) on the quality of Order execution on all execution venues where Bank executed Client Orders in the preceding calendar year; the overview contains the information mentioned in paragraph 3 of Article 3 of the *COMMISSION DELEGATED REGULATION (EU) 2017/576*.
- 13.3. Bank prepares separate reports referred to in cl. 13.2.1, 13.2.2, 13.2.3 and 13.2.4 hereof in relation to (i) the execution venues where Bank executes the Orders (provides an Investment Service mentioned in Article 3(4) 2) of the FIMA); (ii) the execution venues to which Bank transmits the Orders for execution (provides an Investment Service mentioned in Article 3 (4) 1) of the FIMA).
- 13.4. Format. Bank publishes the reports referred to in cl. 13.2.1, 13.2.2 and 13.2.3 hereof on its website, by filling in the templates set out in the Annexes, in a machine-readable electronic format. The reports are available for downloading by Clients and third parties free of charge within two years after the publication date. Bank publishes the report referred to in cl. 13.2.4 hereof on its website, in an electronic format. The report is available for downloading by Clients and third parties free of charge within two years after the publication date.

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#### 14. Information for Clients

- 14.1. Before executing Client's Order Bank provides Client with the information mentioned in this Policy and in paragraph 6, Article 65 of the Regulation (EU) No 2017/565. Bank is not required to provide the information if it has already been posted to Bank's website.
- 14.2. Upon Client's request, Bank provides Client with a proof of compliant execution (i.e. that the Order has been executed in full compliance with the Policy).
- 14.3. After receiving Client's reasonable and justified request concerning the Policy, Order execution arrangements or Order execution processes or the revision thereof, Bank provides Client with the requested information within reasonable timeframes.
- 14.4. Bank keeps Client informed of all amendments to the Policy. The most current version of the Policy is available on Bank's website <http://www.bib.eu/en/documents>. Alternatively, Client can read the Policy at Bank's premises (Bank's head office in Riga: Grēcinieku ielā 6) and at Bank's representative offices.
- 14.5. The Management Board approves the list of Bank's main counterparties that is posted to Bank's website [www.bib.eu](http://www.bib.eu).

#### 15. Revision of and Amendments to the Policy

- 15.1. The AMBSD continuously and proactively monitors and evaluates the efficiency and effectiveness of the Policy, including the achievement of the objectives set forth in the Policy. In particular, the AMBSD monitors the execution quality of all used execution venues mentioned in the Policy. If necessary, the AMBSD proposes amendments to the Policy or to the List of the Execution Venues and takes other steps, as may be necessary and appropriate for eliminating the deficiencies detected.
- 15.2. The AMBSD's responsibility is to regularly, at least once every year, revise and update the Policy to bring the Policy in line with all relevant changes (the changes in the laws and regulations of the Republic of Latvia and the EU legislation, the practice of application thereof, Bank's business and strategy, financial markets and financial products) and hence ensure the overall compliance of Bank's internal regulatory and guidance documents.
- 15.3. The AMBSD proposes to revise and update the Policy on extraordinary basis in the cases referred to in Article 65, paragraph 7 and Article 66, paragraph 1 of the Regulation (EU) No 2017/565 if Bank identifies material changes that affect Bank's adherence to the best execution principle laid down in the Policy.
- 15.4. Bank regularly evaluates new alternative execution venues and Counterparties for Order execution while taking into account the Order execution principles, objectives and criteria as set out in the Policy.
- 15.5. If Orders of the respective type or content can be executed only on the sole execution venue, then Bank assesses, at least once every year, whether the situation under prevailing market conditions is well-grounded and whether there is an alternative execution venue that is able to obtain, taking into account the criteria set out in the Policy, results for Clients that are at least as good (or better) as the results than Bank reasonably could expect from using the aforesaid sole execution venue.
- 15.6. When revising the List of the Execution Venues, Bank obtains and evaluates the information that the existing execution venues and other potential alternative execution venues publish in accordance with the Regulation (EU) No 2017/575.
- 15.7. Bank keeps Client informed of all changes in the Policy. The most current version of the Policy is available on Bank's website <http://www.bib.eu/en/documents>. Alternatively, Client can read the Policy at Bank's premises (the head office in Riga: Grēcinieku ielā 6 and the representative offices).

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## Related Documents and Annexes

### Related Documents:

- Prevention of Conflict of Interest Policy (with reference to investment services);
- List of the Execution Venues.

### This Policy has been drawn up with reference to the:

- Credit Institutions Act [*Kredītiestāžu likums*] of the Republic of Latvia;
- Commercial Act [*Komerclikums*] of the Republic of Latvia;
- Financial Instruments Market Act of the Republic of Latvia;
- COMMISSION DELEGATED REGULATION (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
- COMMISSION DELEGATED REGULATION (EU) 2017/587 of 14 July 2016 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards on transparency requirements for trading venues and investment firms in respect of shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments and on transaction execution obligations in respect of certain shares on a trading venue or by a systematic internaliser;
- COMMISSION DELEGATED REGULATION (EU) 2017/575 of 8 June 2019 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards concerning the data to be published by execution venues on the quality of execution of transactions.

### This Policy has the following Annexes:

- Annex 1 List of the Execution Venues
- Annex 2 Report on top five execution venues for executing retail client orders (Template)
- Annex 3 Report on top five execution venues for executing professional client orders (Template)
- Annex 4 Report on top five execution venues where Bank executed Client Orders for securities financing transactions in the preceding reporting period (Template)

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**List of the Execution Venues****Execution venues** (an excess to the execution venues is ensured through the Counterparties):

<u>Equity securities (incl. ADR, GDR, ETF)</u>	Australian Securities Exchange Deutsche Borse Frankfurt Stock Exchange London International Exchange London Stock Exchange MICEX Borsa Italiana Prague Stock Exchange Budapest Stock Exchange NASDAQ Capital Markets NASDAQ Global Markets NASDAQ Global Selection NASDAQ OMX NYSE AMEX, NYSE ARCA NYSE Euronext BATS ArcaEdge Istanbul Stock Exchange RTS Swiss Exchange Tokyo Stock Exchange Toronto Stock Exchange Montreal Exchange Vienna Stock Exchange Xetra Chi-X, Europe Hong Kong Stock Exchange OTC Markets Pink Over-the-counter
<u>Derivatives (futures, options)</u>	Chicago Mercantile Exchange (CME) Chicago Board of Trade (CBOT) Intercontinental Exchange (ICE) Borsa Italiana New York Mercantile Exchange (NYMEX) EUREX NYSE Euronext Over-the-counter
<u>Debt securities:</u>	Over-the-counter

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## Annex 2

**Report on top five execution venues for executing retail client orders (Template)**

Class of Instrument					
Notification if < 1 average trade per business day in the previous year	Y/N				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Name and Venue Identifier (MIC or LEI)					
Name and Venue Identifier (MIC or LEI)					
Name and Venue Identifier (MIC or LEI)					
Name and Venue Identifier (MIC or LEI)					
Name and Venue Identifier (MIC or LEI)					

## Annex 3

**Report on top five execution venues for executing professional client orders (Template)**

Class of Instrument					
Notification if < 1 average trade per business day in the previous year	Y/N				
Top five execution venues ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
Name and Venue Identifier (MIC or LEI)					
Name and Venue Identifier (MIC or LEI)					
Name and Venue Identifier (MIC or LEI)					
Name and Venue Identifier (MIC or LEI)					
Name and Venue Identifier (MIC or LEI)					

As used in Annex 2 and Annex 3, the following terms have the following meanings:

- (a) 'passive order' means an order entered into the order book that provided liquidity;
- (b) 'aggressive order' means an order entered into the order book that took liquidity;
- (c) 'directed order' means an order where a specific execution venue was specified by the client prior to the execution of the order.

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**Report on top five execution venues where Bank executed Client Orders for securities financing transactions in the preceding reporting period (Template)**

Class of Instrument		
Notification if < 1 average trade per business day in the previous year	Y/N	
Top 5 Venues ranked in terms of volume (descending order)	Proportion of volume executed as a percentage of total in that class	Proportion of orders executed as percentage of total in that class
Name and venue identifier(MIC or LEI)		
Name and venue identifier(MIC or LEI)		
Name and venue identifier(MIC or LEI)		
Name and venue identifier(MIC or LEI)		
Name and venue identifier(MIC or LEI)		

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