

## AS DNB banka Order Execution Policy (for Transactions in Financial Instruments)

### 1. GENERAL PROVISIONS

- 1.1. This Order Execution Policy (for Transactions in Financial Instruments) (hereinafter referred to as the “**Policy**”) regulates the execution of orders on behalf of non-professional and professional clients (hereinafter referred to as the “**Client**”) in AS DNB Banka (hereinafter referred to as the “**Bank**”), determines the Client's order (hereinafter referred to as the “**Order**”) execution factors and their relative importance, and describes the execution ways and venues, the timing of execution and the aggregation and allocation of Orders. The Policy does not apply to the clients with eligible counterparty status.
- 1.2. In the course of the execution of the Orders, the Bank shall take all reasonable steps to achieve the best possible result for the Client (hereinafter referred to as the “**Best Execution**”). The Bank shall execute the Orders in compliance with the Financial Instruments Markets Law of the Republic of Latvia and this Policy.
- 1.3. Upon acceptance of the Order and when there is no specific Client instruction regarding the execution method, the Bank shall assess how to execute the Order to achieve the Best Execution. This assessment shall be based on the guidelines for the execution of the Orders as provided herein below. These guidelines apply to the following financial instruments:
- Transferable securities;
  - Investment fund units including exchange traded funds (hereinafter referred to as “**ETFs**”);
  - Exchange-traded derivatives, i.e. derivatives traded on regulated markets and/or multilateral trading facilities (hereinafter referred to as the “**MTFs**”).
  - Over-the-Counter derivative transactions, i.e. derivatives not traded on regulated markets and/or multilateral trading facilities (hereinafter referred to as “**OTC**”).

### 2. EXCEPTIONS FROM THE POLICY

- 2.1. If the Client gives specific instructions to the Bank, the Bank shall – to the fullest possible extent – execute the Order in accordance with those specific instructions. The Bank hereby clearly and explicitly warns the Client that as a consequence of execution of such specific instructions the Bank shall be released from the obligation to ensure the Best Execution results in accordance with the provisions stipulated in the Policy. With respect to specific instructions which apply to only parts of the Order, the Best Execution requirement will still apply to the rest of the Order.

### 3. ORDER EXECUTION FACTORS AND THEIR RELATIVE IMPORTANCE

- 3.1. When the Bank executes the Order on behalf of the Client, the following criteria shall be considered when weighting the relevance of the factors listed in Clause 3.2 herein below:
- the type (non-professional or professional) of the Client;
  - the characteristics of the Order;
  - the characteristics of the financial instrument (s) that is (are) the subject of the Order (in particular in relation to OTC financial instruments);
  - the characteristics of the execution venues at which the Order can be executed.
- 3.2. When choosing the Best Execution method for the Order, the Bank shall take into account the following factors:
- the price of a financial instrument;
  - the costs of the execution of the Order;
  - the swiftness of the execution of the Order;
  - the probability for the execution and settlement of the Order;
  - the size and content of the Order.
- 3.2.1. The price of a financial instrument: the Bank deems this factor to be the most important in the execution of the Order, irrespective of the type of the Client. The Order shall be executed under the prevailing market conditions and in accordance with the time priority principle for similar orders.
- 3.2.2. The costs of the execution of the Order: these costs constitute a component of the total settlement amount and they are therefore considered to be the second relevant factor by importance. The

Bank shall select those execution venues where the costs of the execution of the Order are the lowest and comparable to each other.

3.2.3. The swiftness of the execution of the Order: in view of the levels of volatility affecting both price and volume, the swiftness of the execution of the Order may have a significant influence on the total settlement amount. This can be especially important when the Order is for a large amount, irrespective of whether the Client is professional or non-professional. However, in every case, orders for financial instruments of the same category shall be executed in accordance with the time priority principle, irrespective of the type of the Client, the amount, content of the Order and other conditions.

3.2.4. The probability for the execution and settlement of the Order: the Bank shall select those execution venues where the probability of execution and settlement of the Order is the highest.

3.2.5. The size and content of the Order: the Bank shall seek markets that provide the greatest liquidity and thus potential for execution of the Orders, and may apply different commissions depending on the size of the Order. Furthermore, the Bank may at its own discretion establish the minimum and maximum amount of the Order for certain financial instruments, taking into account common market practice and the costs to be incurred. In all other cases, the size and content of the Order shall not in any way influence its execution on terms most favourable to the Client.

3.3. The Bank draws the attention of the Client to the fact that the Best Execution is not limited to the price, but also comprises the costs and swiftness of and probability for the execution and settlement of the Order. For non-professional clients, the total settlement amount to be payable by the Client will normally be a decisive factor for the choice of the execution method; this therefore means that other factors such as swiftness, probability for execution and settlement only take precedence over the price and costs if this contributes to the achievement of the Best Execution. Even in a case where it appears that the price was not the best, this circumstance should not necessarily mean that the Order was not executed on terms most favourable to the Client.

3.4. In case of the OTC derivative transactions the Best Execution is considered to be satisfied if the Client (i) asks for an OTC derivative transaction, which is customised to the particular Client, and (ii) negotiates with the Bank and accepts the unique contractual structure (including (but not limited to) the price) of such OTC derivative transaction. When setting a price for a customised derivatives transaction, the Bank shall take into account, inter alia, the market prices of similar financial instruments, the prevailing interest rates, the underlying asset class, the liquidity of a derivative instrument, the complexity of a transaction, the counterparty risk, including counterparty credit risk, capital and transaction costs.

3.5. The Bank shall disclose the information regarding the total settlement amount payable by the Client for a financial instrument, including all related payments, commissions and costs, as well as other payable charges which are to be paid through the Bank, or if the exact amount payable cannot be determined, the grounds for the calculation of the total settlement amount payable, in order to enable the Client to verify the said amount.

#### **4. ORDER EXECUTION WAYS & VENUES**

4.1. The Bank shall select the Order execution venues taking into consideration the following:

- the liquidity and accessibility thereof to other market participants;
- the transparency of pricing;
- the swiftness of the execution of the Order;
- the costs of the execution of the Order;
- the limitations on the size of the Order.

4.2. The Bank shall execute the Orders in one of the following ways:

- by executing the Order on a regulated market;
- by executing the Order in the multilateral trading facility (MTFs);
- by transmitting the Orders to other credit institutions and investment brokerage firms;
- by acting as an intermediary between the Client who buys, and the Client who sells financial instrument ("client-to-client trading");
- by becoming one of the parties in part of or the entire transaction ("own-account trading").

- 4.2.1. Orders in financial instruments (i.e. stocks, futures, options and ETFs) which are admitted to trading and official listing on the regulated markets or MTFs shall be always routed, either directly by the Bank or with the engagement of third parties, for the execution to the corresponding regulated markets (exchanges) or MTFs, listed in the Annex No 1 to this Policy. If financial instruments are traded in several trading systems and all these execution venues meet the established requirements and the Best Execution can essentially be achieved in any of them, the Bank shall normally execute orders in those regulated markets or MTFs where the Bank has direct access. Trading in the above mentioned financial instruments may take place outside the regulated markets and MTFs if the Clients have given their prior consent.
- 4.2.2. The Orders in debt securities (bonds), which are admitted to official listing for regulatory and information disclosure purposes and have little volume on the regulated markets (exchanges), are normally executed OTC.
- 4.2.3. With respect to the Orders in financial instruments, which are not traded in regulated markets or MTFs where the Bank is a member, the Bank shall normally transmit these orders to other credit institutions and investment brokerage firms for execution. The Bank's duty to implement all reasonable measures to generate the Best Execution shall also apply to the execution of the Orders through these credit institutions and investment brokerage firms.
- 4.2.4. The Orders in investment fund units are executed either with such investment fund manager directly or through the investment firms acting as intermediaries for such investment funds.
- 4.2.5. If the Bank receives the Order regarding both the purchase and sale of the same financial instrument, and these Orders can be matched internally, the Orders shall be executed by the Bank concluding the contract on behalf of the Clients. The Bank shall then protect the Clients' interests with the same care as if the Orders were automatically matched in a trading system, and determine the price of the financial instruments based on market price or, if the market price is not available, a price which is reasonable in relation to the situation of the market.
- 4.2.6. In case of a customised OTC financial instrument the Bank is generally the counterparty to that OTC derivatives transaction and provides the Client a fair price for such financial instrument in accordance with the principles set in Clause 3.4 of this Policy.
- 4.3. If the Order cannot be executed by any means because of the reasons beyond the Bank's control, the Order shall not be accepted.
- 4.4. If the Order cannot be executed in the execution venues listed in the Annex No 1 to the Policy because of the reasons beyond the Bank's control, the Order may be executed in any other execution venue subject to the prior approval of such execution venue by the Client. The Bank shall notify the Client respectively, informing that the Order may be executed in other execution venue; however order execution in such other execution venue may have negative effect on the price, usual costs and swiftness of the order execution.
- 4.5. The Bank does not seek to use the maximum possible number of execution venues; however, their number should be sufficient to ensure the execution of Orders on terms most favourable to the Client.
- 4.6. The Bank shall review on a regular basis the list of the selected execution venues considering the requirements to execute Orders on terms most favourable to the Client, and shall compare them with other potential execution venues.
- 4.7. The up-to-date list of the execution venues is published on the Bank's website [www.dnb.lv](http://www.dnb.lv) Information on the changes in the execution venues shall be provided immediately by updating the Bank's website.

## 5. TIMING OF ORDER EXECUTION

- 5.1. In cases where a Client does not give specific instructions, the Bank shall disclose and commence the execution of the Order immediately after the receipt of the Order. This means that the Bank shall process incoming Orders based on the time priority principle – comparable Orders are carried out sequentially

unless the characteristics of the Order or prevailing market conditions make this impracticable, or the interests of the Client require otherwise.

- 5.2. Receipt and processing of Orders depend upon the manner whereby such Orders arrive therefore the Bank hereby informs and warns the Client that the sequence in which the Orders are submitted not always mean the sequence in which the Orders are processed and executed.
- 5.3. If the Order is submitted in the Bank's branch or using remote access system (internetbank) services such document can be processed comparatively longer until its submission for the execution than the Order submitted by the telephone or trade system.
- 5.4. If the Orders are received outside the Bank's and(or) marketplace's opening hours, the Orders shall normally be executed when the Bank and(or) marketplace reopens.

## **6. AGGREGATION AND ALLOCATION OF ORDERS**

- 6.1. Usually the Bank shall separately execute the Order of each Client and shall neither aggregate the Order with that of another Client nor with a transaction for the Bank's own account.
- 6.2. Notwithstanding Clause 6.1, the Bank reserves the right to aggregate the Orders with the Orders of other Clients (individuals or companies associated with or not associated with the Bank) or with transactions made for the Bank's own account under the following terms and conditions:
  - 6.2.1. the Bank considers that the Best Execution can be achieved by aggregating the Order with the Orders of other Clients; and
  - 6.2.2. it is unlikely that the aggregation in general will entail a disadvantage for certain Clients; however, the Clients are hereby informed that the aggregation of Orders in certain cases may entail a disadvantage.
- 6.3. If the aggregated order is only partially executed: (a) the allocation of such order among the Clients shall be made in proportion, using the average price of the orders aggregated; and (b) the Clients' orders shall be given priority over the Bank's orders.

## **7. FINAL PROVISIONS**

- 7.1. The Bank shall monitor and evaluate the effectiveness of the Policy on ongoing basis, and if any defects or inaccuracies are detected – must correct them without any delay. The Bank shall monitor and analyze on ongoing basis whether the execution venues indicated in the Policy provide for the Best Execution and whether the Policy needs improvement.
- 7.2. The Policy shall be reviewed at least once per year or in connection with the important changes in the financial instruments markets or whenever a material change occurs that affects the Bank's ability to achieve the Best Execution. The Bank shall notify its Clients about any material changes in the Policy by publishing the updated version of the Policy on the Bank's website: [www.dnb.lv](http://www.dnb.lv) and ensuring the availability of it in places where the Bank provides investment and ancillary investment services.