



Approved by: Management Board of Luminor Bank AS

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## Policy for Execution of Orders in Financial Instruments

### 1. GENERAL PROVISIONS

1.1. This Policy for Execution of Orders in Financial Instruments provides an overview of how Luminor Bank AS (the Bank) executes orders on behalf of clients or transmits orders to other entities for execution (the Policy).

1.2. The Bank has a general duty to act honestly, fairly and professionally, taking into account client's best interest. In relation to order execution, the Bank is required to take all sufficient steps to obtain the best possible result to a client on a continuous basis (known as Best Execution).

1.3. The Policy is issued pursuant to, and in compliance with, the Markets in Financial Instruments Directive 2014/65/EC (MiFID II) and the Financial instrument market law of the Republic of Latvia (hereinafter referred to as "the FIML law").

1.4. The Policy applies to retail (non-professional) and professional clients.

1.5. A summary of the Policy specifically intended for retail (non-professional) clients can be found [here](#). The summary will also provide a link to the most recent execution quality data for each execution venue listed in this Policy, as soon as such information is available.

1.6. Upon acceptance of a Client order and when there is no specific client instruction regarding the execution method, the Bank will execute an order in accordance with this Policy.

1.7. The appendices of the Policy cover the below listed classes of financial instruments and specify how orders are executed with respect to such financial instruments, order types available, priority of execution factors, the order execution process, as well as which execution venues are used and how execution effectiveness is monitored:

- Equities – shares and depository receipts;
- Debt instruments – bonds and money market instruments;
- Interest rate derivatives – swaps, options and other;
- Currency derivatives – forwards, swaps, options and other;
- Commodities derivatives – non-listed swaps and other;
- Structured financial instruments;
- Exchange traded products – exchange traded funds, exchange traded notes and exchange traded commodities;
- Units of collective investment undertakings.

1.8. In scope of portfolio management service, the client authorizes the Bank to execute financial instrument orders on client's behalf according to the rights and limitations listed in the portfolio management agreement. The orders placed as a result of a portfolio manager's decision to trade financial instruments on a client's behalf may be transmitted for execution to financial intermediaries or executed by the Bank as the client's counterparty.

1.9. The client is familiarised with this Policy when entering into legal relations with the Bank. The client also confirms that he/she/it has been familiarised with the Policy and consents to it when placing an order with the Bank.

### 2. BEST EXECUTION

2.1. Best Execution is the process by which the Bank seeks to obtain the best possible result when executing client orders. The definition of best possible result will vary as the Bank must take into account a range of execution factors and determine their relative importance based on the characteristics of its clients, the orders that it receives and the markets in which it operates. These factors are further described in the Policy.

### 3. EXECUTION FACTORS

3.1. The Bank has considered a number of factors that might be important to clients when the Bank executes their orders:

- Price – the market or fair price at which an order is executed;
- Costs – charges that may be incurred in executing the order in a particular way. Where the Bank applies different fees depending on the execution venue, it will explain these differences in sufficient detail in order to allow the client to understand the advantages and the disadvantages of the choice of a single execution venue;

- Speed of execution – the time it takes to execute the order;
- Likelihood of execution and settlement – the likelihood that the Bank will be able to complete the transaction;
- Size and nature – the way that the Bank executes an unusual order (for example, the one that is larger than the normal market size or has unusual features such as shortened or extended settlement period) may differ from the way it executes a standard order;
- Other factors – any other factors relevant to the order (for example, market impact – the effect that executing client's order, or showing it to market participants, might have upon the market).

3.2. When the Bank executes orders on behalf of retail (non-professional) clients, Best Execution is determined on the basis of the total consideration paid by the client. Total consideration is the price of the financial instrument and the costs related to execution, including all expenses incurred by the client which are directly related to the execution of the order such as venue execution fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. When assessing whether Best Execution has been achieved, the Bank does not take into account its standard charges that will be paid by the client irrespective of how the order is executed.

3.3. When the Bank executes orders on behalf of professional clients, it will use reasonable judgement to weigh different execution factors at the time of execution in accordance with execution criteria (see Section 4 below). Even where it seems that the price of financial instruments was not the best available, the order may still be considered executed on the terms most favourable to the client.

#### 4. EXECUTION CRITERIA

4.1. The relative importance that the Bank attaches to the execution factors listed in Clause 3.1 above in any particular case may be affected by the following execution criteria:

- Client Characteristics – including the type of the client: retail (non-professional) or professional;
- Order Characteristics – such as potential to have an impact on the market and whether an order the order involves a securities financing transaction;
- Financial Instrument Characteristics – such as liquidity and whether there is a recognised centralised market;
- Venue Characteristics – particular features of the liquidity sources available to the Bank.

#### 5. THE SCOPE OF BEST EXECUTION

5.1. The Bank will always apply Best Execution to orders submitted by retail (non-professional) and professional clients dealing in financial instruments, except for the situation described in Clause 5.3.

5.2. The Bank will also apply Best Execution when a professional client Requests for Quote (RFQ) and relies on the Bank to protect its interests in relation to pricing and other important elements of the transaction. All the following factors will need to be satisfied for the Bank to owe a duty of Best Execution for a professional client:

- A professional client initiates the RFQ;
- A professional client is not able to “shop around” – when it is reasonable to assume that the Bank is the only counterparty available to the trade;
- A professional client does not have access to market prices;
- The Bank has expressly agreed to provide Best Execution to professional client.

5.3. If a retail (non-professional) or professional client gives specific instructions to the Bank regarding the order submitted, the Bank shall – to the fullest possible extent – execute the order in accordance with those specific instructions. The Bank may only deviate from such specific instructions where, due to specific circumstances, this is required for the interests of the client, and the Bank did not have a possibility to inquire the client in advance or did not receive the response on time. In such a case the Bank shall collect and keep the proof of the terms of the execution of the order (which shall be submitted to the client upon request), and notifies the client as soon as possible that the order is executed on terms different than those instructed. Where specific instructions cover only certain elements of the client's order, the Bank maintains an obligation to achieve the Best Execution with respect to the elements of the order not covered by the client's instructions. **The Bank hereby warns the client that such specific instructions may prevent the Bank from taking actions established in the Policy and applied by the Bank for the purposes of achieving the Best Execution.**

#### 6. EXECUTION ON A TRADING VENUE

6.1. When the Bank accepts an order in financial instruments which are admitted to trading on a Regulated Market (RM), Multilateral Trading Facility (MTF) or Organised Trading Facility (OTF), it usually executes order on the trading venue itself acting as an agent on behalf of the client or, if the Bank is not a member of any relevant trading venue, it transmits the order to another entity (broker, credit institution or investment firm) for execution.

6.2. The Bank may as well execute an order over the counter (OTC), as discribed in Section 9 of the Policy.

#### 7. EXECUTION THROUGH EXECUTION ENTITIES

7.1. Where the Bank does not have a membership of the trading venue relevant for the order, such order will be transmitted to an execution entity, which will execute the order on such a trading venue, or alternatively transmit the order to another third party for execution.

7.2. When executing client orders by transmitting to third parties, the Bank takes all sufficient measures to select execution entity, which provides Best Execution on a continuous basis.

## **8. EXECUTION ON OWN ACCOUNT**

8.1. While dealing on own account, the Bank might deal with multiple clients or counterparties on the same financial instrument at the same time. The Bank might as well hold significant positions in such financial instruments and carry on hedging or trading activities which might have impact on the market.

8.2. The Bank acts as a principal (deals on own account) to the client in (i) trades for OTC instruments; (ii) trades where the Bank is a market maker in financial instruments admitted to a trading venue; and (iii) where the Bank acts as systematic internaliser (when dealing systematically and substantially on own account the Bank will in certain financial instruments be acting as a systematic internaliser when executing client orders). In all cases the Bank owes the duty of Best Execution to a client, except for the situations described in Section 5 of the Policy.

8.3. The Bank adopts the following approach to the construction of the price of the transaction when trading on own account. The total execution price provided to a client is made up of the base price plus costs and charges:

- The base price is the price that the Bank would face to hedge the transaction in the inter-bank market, whether realised or estimated. The base price includes any adjustments for the Bank's view of market risk factors and how the Bank seeks to position itself in the market according to such risk factors; and
- Costs and charges, which are the difference between the base price and the total execution price for the client. This includes all costs and charges that are related to the transaction performed by the Bank and other parties.

## **9. EXECUTION OVER THE COUNTER (OTC)**

9.1. Based on this Policy, client orders may be executed over the counter (OTC). It is deemed that the clients are informed and give their consent to the Bank to execute orders over the counter (OTC) when entering into contractual relations with the Bank and / or when submitting client orders. Client orders can be executed over the counter (OTC) for both: (i) financial instruments which are not admitted to trading or traded on a trading venue and (ii) financial instruments which are admitted to trading or traded on a trading venue. In both cases the Bank owes the duty of Best Execution to the client, except for situations described in Section 5 of the Policy. Where financial instruments are admitted to trading or traded on a trading venue, client orders may only be executed over the counter if such execution of orders would ensure the best result for the client.

9.2. The Bank may execute orders over the counter (OTC) on own account or with another counterparty.

9.3. While executing orders OTC, the Bank checks the fairness of the price proposed to the client by gathering market data used in estimation of the price of such instrument and, where possible, by comparing it with similar or comparable products.

9.4. Clients should be aware of the following risks associated with executing orders OTC:

- Counterparty risk, where counterparty fails to complete the transaction in part or in full;
- Execution at a substantially different price from the quoted bid or offer or the last reported price at the time of order entry, as well as partial execution or execution of large orders in several transactions at different prices;
- Delays in executing orders for financial instruments, where the Bank has to search for counterparties or market makers;
- Opening price that may substantially differ from the previous day's close price;
- Locked (the bid equals the offer) and crossed (the bid is higher than the offer) markets, which may prevent the execution of client orders.

## **10. SELECTION OF EXECUTION VENUES AND EXECUTION ENTITIES**

10.1. The Bank's policy is that the number of execution venues used shall be sufficient to continuously ensure Best Execution to the Bank's clients.

10.2. When selecting suitable execution venues and entities for execution of orders, the Bank will take sufficient efforts to select execution venues and entities that consistently allow the best result to be achieved.

10.3. The Bank takes the following qualitative and quantitative factors into consideration when selecting suitable execution venues and entities:

- Liquidity – that is spread, depth and market share;
- Costs applied by an execution venue;
- Likelihood of execution and settlement;
- Other relevant factors.

10.4. Selection of execution entities to which the Bank transmits orders is carried out via regular reviews of the execution entities' ability to provide Best Execution and their ability to enable the Bank to fulfil its obligations under Best Execution.

10.5. When selecting execution entity, the Bank will, in addition to the above mentioned factors, consider factors that the Bank deems important from time to time. Such factors could, for example, be the Bank's general assessment of and confidence in the execution entity and trading venues the execution entity has access to.

10.6. For the purposes of delivering Best Execution where there is more than one competing venue, in order to assess and compare the results for the client that would be achieved by executing the order on each of the execution venues listed in this Policy that is capable of executing that order, the Bank's own commissions and the costs for executing the order on each of the eligible execution venues shall be taken into account in that assessment.

10.7. Information about the execution venues used by the Bank and the methods for executing different client orders with different financial instruments are provided in Annexes to this Policy.

## **11. ORDER HANDLING**

11.1. Comparable orders of clients shall be executed on the basis of the time priority principle (sequentially), except where such execution is impracticable taking into consideration the characteristics of the relevant order and (or) the prevailing market conditions, or where the interests of the client require otherwise, and where the breach of the principle can be reasoned. Client orders shall be executed with priority over the Bank's own orders.

11.2. In cases where a client does not give specific instructions, the Bank shall commence the execution of the order immediately after the receipt of the order from the client.

11.3. If client orders are received outside the marketplace's opening hours, the orders will normally be executed when the marketplace reopens.

11.4. Where due to any objective reasons which are beyond the Bank's control the execution of the client's order cannot be commenced (e.g. where the client does not have sufficient funds to settle for the order) or the order cannot be executed within a reasonable time due to the unfavourable market conditions (reduction of price, absence of supply etc.), the Bank will refuse to accept the order where the relevant circumstances already exist at the time when the order is submitted, or, if the order is already submitted, inform the client immediately and ask for specific instructions for further handling of the order.

11.5. Unless the laws provide otherwise, in the case of a client limit order in respect of shares admitted to trading on a regulated market or traded on a trading venue which are not immediately executed under prevailing market conditions, the Bank shall, unless the client expressly instructs otherwise, take measures to facilitate the earliest possible execution of that order by making public immediately that client limit order in a manner which is easily accessible to other market participants (including by transmitting the client limit order to a trading venue).

11.6. Following execution of a transaction on behalf of a client the Bank will provide a confirmation of the execution of the order and will, inter alia, inform the client where the order was executed and what costs and charges were applied.

## **12. AGGREGATION, ALLOCATION AND SPLIT OF ORDERS**

12.1. The Bank shall execute an order of each client separately except when it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated.

12.2. The Bank notifies the client about its intent to aggregate an 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.

12.3. An aggregated order fully executed at a single price is allocated pro rata to the volume of primary orders at a single price of such aggregated order. An aggregated order executed in several transactions and at different prices is generally allocated pro rata to the volumes of primary orders at the weighted average price of such aggregated order. An aggregated order executed partially is allocated by the Bank pro rata to the volume of primary orders at the price of such aggregated order executed partially.

12.4. The Bank may split an order of a client regarding the financial instruments traded on a regulated market, a multilateral trading facility and / or an organised trading facility.

12.5. The Bank shall not aggregate the clients' orders with its own orders under any circumstances.

12.6. The Bank shall provide any additional information requested by the client about the aggregation and (or) splitting of the client's order within 15 (fifteen) business days from the date of the client's written request. The client may submit a written request for the detailed information in person at any branch of the Bank or via the internet bank.

## **13. REVIEW AND REPORTING**

13.1. The Bank monitors and evaluates the effectiveness of the Policy on an ongoing basis, and, in particular, monitors the execution quality of the entities identified in the Policy, and if any defects are detected – corrects them without any delay.

13.2. The Policy must be reviewed at least once per year or in connection with the important changes in the financial instruments markets including whenever a material change occurs that impacts parameters of Best Execution listed in Clause 3.1 of this Policy and thus affects the Bank's ability to achieve the Best Execution (including addition or removal of execution venues). The Bank will notify its clients about any material changes in the Policy and publish the updated version of the Policy in the website of the Bank. The Bank will annually summarise and publish on its website, per class

of financial instrument, the top five execution venues and entities in terms of trading volumes for all executed or transmitted client orders and information on quality of execution obtained. Periodic reports on the quality of execution to be published by the Bank shall include details about price, costs, speed and likelihood of execution for individual financial instrument. Reports shall be prepared separately for the top five execution venues and the top five entities (brokers) to which client orders were routed during the relevant period. The Bank shall also publish for each class of financial instruments, a summary of the analysis and conclusions it draws from their detailed monitoring of the quality of execution obtained on the execution venues where it executed all client orders in the previous year.

#### **14. FINAL PROVISIONS**

14.1. Any amendments to the Policy shall approved by the Management Board of Luminor Bank AS.

*ANNEX NO. 1 TO THE POLICY FOR EXECUTION OF ORDERS IN FINANCIAL INSTRUMENTS*

**ORDER EXECUTION VENUES**

1. Orders in financial instruments submitted by the retail (non-professional) and professional clients will be executed in the execution venues specified below:

1.1. orders in shares listed on Baltic stock exchanges – on NASDAQ stock exchanges in Vilnius, Tallinn and Riga and via Luminor Bank AB or Nordea Bank AB (publ);

1.2. orders in exchange traded funds (ETF) – via Luminor Bank AB and Nordea Bank AB (publ);

1.3. orders in shares of companies that are traded on the regulated markets and (or) multilateral trading facilities, other than those listed on Baltic stock exchanges – via Luminor Bank AB and Nordea Bank AB (publ);

1.4. orders in collective investment undertakings units – via Nordea Investment Funds S.A., Luminor Bank AB and DNB Asset Management S.A.;

1.5. orders in debt securities – via Luminor Bank AB;

1.6. orders in structured financial instruments – via Nordea Bank AB (publ) Finnish Branch.

2. Where client orders cannot be executed in any of the venues specified in Clause 1 of this Annex to the Policy due to reasons beyond the Bank's control, such orders can also be executed in other execution venues provided that such order execution does not prevent the Bank from obtaining the best possible result for the client in accordance with the terms and conditions of the Policy.

## ORDER EXECUTION

### 1. Equities – shares listed on OMX Nasdaq Baltic exchanges

#### 1.1. Intended for

Retail (non-professional) and professional clients.

#### 1.2. Financial Instruments and Transactions in Scope

Purchase and sale of shares on OMX Nasdaq Baltic Exchange List.

#### 1.3. Financial Instruments and Transactions not in Scope

Purchase and sale of foreign shares and funds.

#### 1.4. Execution Method

The Bank acts as agent and executes orders in Baltic shares on Nasdaq Baltic Exchanges (Vilnius, Riga and Tallinn). The Bank may transmit orders in Baltic shares for execution to Luminor Bank AB and Nordea Bank AB (publ).

#### 1.5. Order Types Available

**Market Order.** With a market order the client instructs a financial institution or trading counterparty to execute a trade of a certain size as promptly as possible at the prevailing market price. Financial institutions are required to execute market orders without regard to price changes. Therefore, if the market price moves significantly during the time it takes to perform a client's order, the order will most likely be exposed to the risk of execution at a price substantially different from the price when the order was entered.

**Limit Orders.** With a limit order, the client sets the maximum purchase price, or minimum sale price, at which the trade is to be executed. As a limit order may be entered away from the current market price, it may not be executed immediately. A client that leaves a limit order must be aware that he/she/it is giving up the certainty of immediate execution in exchange for the expectation of getting an improved price in the future.

#### 1.6. The Bank's Selected Execution Venue

Bank executes orders on:

- Nasdaq OMX Baltic (RM); and
- First North (MTF)
- Luminor Bank AB
- Nordea Bank AB (publ)

#### 1.7. Benchmarking and Monitoring

The Bank has implemented a governance framework and control process for monitoring the effectiveness of order execution.

#### 1.8. Execution Factors for Retail (Non-Professional) Clients

For retail (non-professional) clients sending order for execution total consideration is considered to be the most important factor, the other factors shall only be analysed if total consideration is similar in several execution venues. In such a case, the ranking of execution factors would be as follows:

1. Price and costs (total consideration);
2. Speed;
3. Likelihood of execution;
4. Size of order;
5. Other factors.

#### 1.9. Execution Factors for Professional Clients

For professional clients that are typically trading larger size and with higher complexity, their specific instructions are taken into consideration. Higher complexity is defined as orders that potentially could have market impact if routed directly to the market and therefore would require pre-trade analysis and considerations related to selection of suitable strategy. The ranking of execution factors is:

1. Price;
2. Size of order;
3. Other factors (market impact);
4. Costs;
5. Speed;
6. Likelihood of execution.

The Bank reserves the right to use its own judgement on the order of priority of the above list of factors if a specific situation or circumstance is evaluated to require such change of order priorities.



## **2. Interest Rate Derivatives – Interest Rate Swaps and Options**

### **2.1. Intended for**

Retail (non-professional) and professional clients.

### **2.2. Financial Instruments and Transactions in Scope**

Transactions for interest rate swaps and options.

### **2.3. Financial Instruments and Transactions not in Scope**

N/A

### **2.4. Execution Method**

The Bank trades interest rate derivatives as a principal to clients (on own account) being an execution venue itself.

The Bank reviews its prices against prices available to it in the inter-bank market to ensure that its mid points are within the best bid and offer prices available to it.

### **2.5. Order Types Available**

**Request for Quote (RFQ).** The Bank will provide prices for interest rate derivatives to clients on request. These prices will be calculated to meet its obligation to provide the client with the best possible outcome on the transaction in terms of total consideration. If a client wishes to trade, he/she/it may elect to do so at the price the Bank has quoted. Acceptance of the trade is subject to filters based on time elapsed and/or price movements in the underlying market since the price was quoted.

### **2.6. The Bank's Selected Execution Venues**

The Bank makes hedging trades with:

- Nordea Bank AB (publ);
- DNB Bank ASA.

### **2.7. Benchmarking and Monitoring**

The Bank has implemented a governance framework and control process for monitoring the effectiveness of order execution.

### **2.8. Relevant Execution Factors**

The ranking of execution factors is (for retail (non-professional) clients, the Bank will provide Best Execution assessed on the basis of total consideration, representing the price of the financial instruments and the costs relating to execution):

1. Price and costs (total consideration);
2. Likelihood of execution and settlement;
3. Expected impact of execution/Size of order;
4. Speed;
5. Other factors.

### **3. Currency Derivatives – non-listed FX Forwards and FX Options**

#### **3.1. Intended for**

Retail (non-professional) and professional clients.

#### **3.2. Financial Instruments and Transactions in Scope**

Transactions in FX forwards and options.

#### **3.3. Financial Instruments and Transactions not in Scope**

N/A

#### **3.4. Execution Method**

The Bank trades currency rate derivatives as a principal to clients (on own account) being an execution venue itself.

The Bank reviews its prices against prices available to it in the inter-bank market to ensure that its mid points are within the best bid and offer prices available to it.

#### **3.5. Order Types Available**

**Request for Quote (RFQ).** The Bank will provide prices for currency derivatives to clients on request. These prices will be calculated to meet its obligation to provide the client with the best possible outcome on the transaction in terms of total consideration. If a client wishes to trade, he/she/it may elect to do so at the price Bank has quoted. Acceptance of the trade is subject to filters based on time elapsed and/or price movements in the underlying market since the price was quoted.

#### **3.6. The Bank's Selected Execution Venue**

The Bank makes hedging trades with:

- DNB Bank ASA;
- Barclays PLC.
- Nordea Bank AB (publ)

#### **3.7. Benchmarking and Monitoring**

The Bank has implemented a governance framework and control process for monitoring the effectiveness of order execution.

#### **3.8. Relevant Execution Factors**

The ranking of execution factors is (for retail (non-professional) clients, the Bank will provide Best Execution assessed on the basis of total consideration, representing the price of the financial instruments and the costs relating to execution):

1. Price;
2. Costs;
3. Likelihood of execution and settlement;
4. Expected impact of execution/Size of order;
5. Speed;
6. Other factors.

#### **4. Commodity derivatives**

##### **4.1. Intended for**

Retail (non-professional) and professional clients.

##### **4.2. Financial Instruments and Transactions in Scope**

OTC transactions with commodities swaps and options for hedging purposes.

##### **4.3. Financial Instruments and Transactions not in Scope**

N/A

##### **4.4. Order Types Available**

**Request for Quote (RFQ).** The Bank will provide prices for currency derivatives to clients on request. These prices will be calculated to meet its obligation to provide the client with the best possible outcome on the transaction in terms of total consideration. If a client wishes to trade, he/she/it may elect to do so at the price Bank has quoted. Acceptance of the trade is subject to filters based on time elapsed and/or price movements in the underlying market since the price was quoted.

##### **4.5. The Bank's Selected Execution Entity**

The Bank makes hedging trades with:

- DNB Bank ASA.

##### **4.6. Benchmarking and monitoring**

The Bank routinely monitors the effectiveness of order execution by chosen execution entities.

##### **4.7. Relevant Execution Factors**

The ranking of execution factors is (for non-professional clients, Bank will provide Best Execution assessed on the basis of total consideration, representing the price of the financial instruments and the costs relating to execution):

1. Price;
2. Expected impact of execution;
3. Likelihood of execution and settlement;
4. Costs;
5. Speed;
6. Other factors.

## **5. Structured Products**

### **5.1. Intended for**

Retail (non-professional) and professional clients.

### **5.2. Financial Instruments and Transactions in Scope**

Structured products, which are issued in a form of bonds or notes and whose value depend on investments in such derivatives as structured credit, structured equity, complex rate risk, FX risk or any combination/hybrid of these and which are issued by Nordea Bank AB (publ) or arranged by Nordea Bank AB (publ).

### **5.3. Financial Instruments not in Scope**

Structured products issued not by Nordea Bank AB (publ).

### **5.4. Order Types Available**

**Market Order.** With a market order the client instructs a financial institution or trading counterparty to execute a trade of a certain size as promptly as possible at the prevailing market price. Financial institutions are required to execute market orders without regard to price changes. Therefore, if the market price moves significantly during the time it takes to perform a client's order, the order will most likely be exposed to the risk of execution at a price substantially different from the price when the order was entered.

### **5.5. The Bank's Selected Execution Venue**

The Bank trades structured products as an agent to the clients.

The Bank's execution entity:

- Nordea Bank AB (publ).

### **5.6. Benchmarking and monitoring**

The Bank has implemented a governance framework and control process for monitoring the effectiveness of order execution.

Prices of structured products are benchmarked by execution entity Nordea Bank AB (publ) to reference data applicable for the relevant instrument or underlying exposures where possible. Where no directly applicable reference data of sufficient quality is available, Nordea Bank AB (publ) internal valuation models are used. This process is reviewed and monitored by the Bank based on information provided by Nordea Bank AB (publ).

### **5.7. Relevant Execution Factors**

The ranking of execution factors is (for retail (non-professional) clients, the Bank will provide Best Execution assessed on the basis of total consideration, representing the price of the structured products and the costs relating to execution):

1. Price and costs (total consideration);
2. Likelihood of execution and settlement;
3. Expected impact of execution/Size of order;
4. Speed;
5. Other factors.

## RECEPTION AND TRANSMISSION OF ORDERS

### 1. Bonds

#### 1.1. Intended for

Retail (non-professional) and professional clients.

#### 1.2. Financial Instruments and Transactions in Scope

Purchase and sale of sovereign and corporate bonds.

#### 1.3. Financial Instruments and Transactions not in Scope

N/A

#### 1.4. Execution Method

The Bank usually trades bonds as an agent to the clients.

Pricing and execution of bonds orders is a manual process. The market is characterised by indicative OTC prices.

#### 1.5. Order Types Available

**Market Order.** With a market order the client instructs a financial institution or trading counterparty to execute a trade of a certain size as promptly as possible at the prevailing market price. Financial institutions are required to execute market orders without regard to price changes. Therefore, if the market price moves significantly during the time it takes to perform a client's order, the order will most likely be exposed to the risk of execution at a price substantially different from the price when the order was entered.

**Limit Orders.** With a limit order, the client sets the maximum purchase price, or minimum sale price, at which the trade is to be executed. As a limit order may be entered away from the current market price, it may not be executed immediately. A client that leaves a limit order must be aware that he/she is giving up the certainty of immediate execution in exchange for the expectation of getting an improved price in the future.

#### 1.6. The Bank's Selected Execution Venue

Bank's execution venues:

- Luminor Bank AB;
- Nasdaq OMX Baltic exchange for listed bonds.

#### 1.7. Benchmarking and Monitoring

The Bank has implemented a governance framework and control process for monitoring the effectiveness of order execution.

#### 1.8. Relevant Execution Factors

The ranking of execution factors is (for retail (non-professional) clients, the Bank will provide Best Execution assessed on the basis of total consideration, representing the price of the bonds and the costs relating to execution):

1. Price and costs (total consideration);
2. Speed;
3. Likelihood of execution;
4. Size of order;
5. Other factors.

## **2. Equities – shares traded via direct market access (DMA)**

### **2.1. Intended for**

Retail (non-professional) and professional clients.

### **2.2. Financial Instruments and Transactions in Scope**

Purchase and sale of cash equities and equity-like products via direct market access (DMA) provided by Nordea Bank AB (publ) and Luminor Bank AB.

### **2.3. Financial Instruments and Transactions not in Scope**

Equities traded outside the scope of DMA agreement.

### **2.4. Order Types Available**

**Market Order.** With a market order the client instructs a financial institution or trading counterparty to execute a trade of a certain size as promptly as possible at the prevailing market price. Financial institutions are required to execute market orders without regard to price changes. Therefore, if the market price moves significantly during the time it takes to perform a client's order, the order will most likely be exposed to the risk of execution at a price substantially different from the price when the order was entered.

**Limit Order.** With a limit order, the client sets the maximum purchase price, or minimum sale price, at which the trade is to be executed. As a limit order may be entered away from the current market price, it may not be executed immediately. A client that leaves a limit order must be aware that he/she/it is giving up the certainty of immediate execution in exchange for the expectation of getting an improved price in the future.

### **2.5. The Bank's Selected Execution Entity**

The Bank trades as an agent with respect to cash equity trades with clients. The Bank transmits all client orders to Nordea Bank AB (publ) or Luminor Bank AB that have access to various cash equity trading venues.

The Bank's execution entity:

- Nordea Bank AB (publ);
- Luminor Bank AB.

### **2.6. Benchmarking and monitoring**

Bank uses governance framework and control process for monitoring effectiveness of order execution arrangements in Equity like products. Execution quality (price analysis) is verified by the Bank using information of Transaction Cost Analysis (TCA) tool received from Nordea Bank AB (publ) or Luminor Bank AB. TCA is used for verification of Best execution, where emphasis is to verify execution at the best available prices at the time of execution.

### **2.7. Relevant Execution Factors**

The ranking of execution factors is (for non-professional clients, Bank will provide Best Execution assessed on the basis of total consideration, representing the price of the shares and the costs relating to execution):

1. Price and costs (total consideration);
2. Speed;
3. Likelihood of execution and settlement;
4. Expected impact of execution;
5. Other factors.

### **3. Exchange traded products – Exchange Traded Funds**

#### **3.1. Intended for**

Retail (non-professional) and professional clients.

#### **3.2. Financial Instruments in Scope**

Exchange traded funds.

#### **3.3. Financial Instruments not in Scope**

N/A

#### **3.4. Order Types Available**

**Market Order.** With a market order the client instructs a financial institution or trading counterparty to execute a trade of a certain size as promptly as possible at the prevailing market price. Financial institutions are required to execute market orders without regard to price changes. Therefore, if the market price moves significantly during the time it takes to perform a client's order, the order will most likely be exposed to the risk of execution at a price substantially different from the price when the order was entered.

**Limit Order.** With a limit order, the client sets the maximum purchase price, or minimum sale price, at which the trade is to be executed. As a limit order may be entered away from the current market price, it may not be executed immediately. A client that leaves a limit order must be aware that he/she/it is giving up the certainty of immediate execution in exchange for the expectation of getting an improved price in the future. Limit orders may be routed to an exchange without human intervention. Where a limit order is placed in a share admitted to trading on a regulated market, the Bank shall not be obliged to publish that limit order if it cannot be immediately executed under prevailing market conditions.

#### **3.5. The Bank's Selected Execution Venue**

The Bank trades as agent with respect to exchange traded funds trades with clients. The Bank transmits client orders to the following execution entities:

- Nordea Bank AB (publ);
- Luminor Bank AB.

#### **3.6. Benchmarking and monitoring**

Bank routinely monitors the effectiveness of order execution by chosen execution entities.

#### **3.7. Relevant Execution Factors**

The ranking of execution factors is (for non-professional clients, Bank will provide Best Execution assessed on the basis of total consideration, representing the price of the financial instruments and the costs relating to execution):

1. Price and costs (total consideration);
2. Speed;
3. Likelihood of execution and settlement;
4. Expected impact of execution/Size of order;
5. Other factors.

#### **4. Other instruments – units in collective investment undertakings**

##### **4.1. Intended for**

Retail (non-professional) and professional clients.

##### **4.2. Financial Instruments and Transactions in Scope**

UCITS and non-UCITS collective investment undertakings.

##### **4.3. Financial Instruments not in Scope**

N/A

##### **4.4. Order Types Available**

**Orders to trade at Net Asset Value (NAV).** Trades are executed on net asset value (NAV) which is valued on the principles described in fund prospectus.

##### **4.5. Bank's Selected Execution Entity**

The Bank trades units in collective investment undertakings as an agent to the clients. When Bank receives subscription and redemption orders from its customers with respect to units/shares in investment funds, it will execute such orders by placing the order with the fund management company (or other company assigned by fund management company).

The Bank's execution entities:

- Luminor Bank AB;
- DNB Asset Management S.A.;
- Nordea Investment Funds S.A.

##### **4.6. Benchmarking and monitoring**

The Bank routinely monitors the effectiveness of order execution by chosen execution entities.

##### **4.7. Relevant Execution Factors**

The ranking of execution factors is (for non-professional clients, Bank will provide Best Execution assessed on the basis of total consideration, representing the price of the financial instruments and the costs relating to execution):

1. Price and costs (total consideration);
2. Speed;
3. Likelihood of execution and settlement;
4. Expected impact of execution/Size of order;
5. Other factors.