

# Summary of Policy for execution of orders in financial instruments

## 1. Introduction

Luminor Bank AS (the **Bank**) has a general duty to conduct business with its clients honestly, fairly and professionally in accordance with the best interests of the clients and comply with the applicable legal requirements. When executing the order received from the clients, the Bank is obliged to deliver “best execution”, meaning that the Bank has to take all sufficient steps to obtain, when executing orders, the best possible result for its clients on a continuous basis. This document provides a summary of the Bank’s Policy for Execution of Orders in Financial Instruments (the **Policy**) which applies from 3 January 2018.

**This summary is prepared and provided to the retail (non-professional) clients in order for them to better understand the contents of the Policy and the Bank’s obligation to deliver best execution.**

The Policy forms an inseparable part of the Bank’s terms and conditions for providing investment services. By entering into legal relations with the Bank, the client also agrees to the terms and conditions of the Policy, as summarized in this document.

### 1.1. Aim of the Policy

The Policy provides an overview of the procedures and rules used by the Bank when executing clients’ orders so that the best possible result could be achieved.

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 the Policy.

The Bank can either execute orders itself or have them transmitted to other entities for execution, where they are executed following the instructions of the Bank.

### 1.2. Scope of Application

When the client gives an order to the Bank, the Bank must ensure that it executes your order with the aim of achieving the best possible result. The Policy applies to all retail (non-professional) and professional clients giving orders to the Bank for trading in financial instruments.

The Policy covers the below listed classes of financial instruments:

- 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 – futures, swaps and other;
- Contracts for difference;
- Structured financial instruments;
- Exchange traded products – exchange traded funds, exchange traded notes and exchange traded commodities;
- Units of collective investment undertakings.

Annexes of the Policy specify how orders are executed with respect to each type of financial instruments covered by the Policy – the order types available, priority of execution factors, order execution process, as well as which execution venues are used and how execution effectiveness is monitored.

### 1.3. Client’s Instructions

Where a 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.

**The Bank clients should be aware 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.**

## 2. Best Execution Factors and Criteria

The concept of “best possible result” may vary as the Bank must take into account a range of execution factors, such as:

- Price at which an order is executed;

- Costs and charges that may be incurred in executing the order in a particular way;
- The time it takes to execute the order (speed of execution);
- Likelihood that the Bank will be able to complete the transaction (execute and settle);
- Size and nature (type) of the order;
- Any other factors relevant to the order.

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 (the price of the financial instrument and the costs related to execution, including all expenses incurred by the client).

The Bank determines the relative importance of each of the above execution factors based on the following execution criteria:

- Client Characteristics – the type of the client: retail (non-professional) or professional;
- Order Characteristics – such as potential to have an impact on the market;
- 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.

### 3. Execution Methods

The Bank may execute client orders:

- On a trading venue, when the client gives an order in financial instruments which are admitted to trading on a Regulated Market, Multilateral Trading Facility or Organised Trading Facility. In such cases the Bank may execute 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 with which the Bank has execution arrangements in place (broker, credit institution or investment firm) for execution (execution through execution entities);
- Over the counter for both (i) financial instruments which are not admitted to trading nor traded on a trading venue, and (ii) financial instruments which are admitted to trading or traded on a trading venue. However, 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. The Bank may execute orders over the counter on own account or with another counterparty. The clients are informed and give their consent to the Bank to execute orders over the counter when entering into contractual relations with the Bank and / or when submitting client orders, however, the clients should mind the risks related with over the counter trading specified in the Policy.

In specific cases specified in the Policy (for instance, when executing order over the counter), the Bank may act as principal (deal on own account) to the client (i.e. the Bank may be an execution venue itself), and this shall not in any way prejudice the Bank’s obligation to deliver the best execution to the client. 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.

### 4. Selection of Execution Venues and Execution Entities

The Bank will take sufficient efforts to select execution venues and entities that consistently allow the best result to be achieved. The Bank takes the following qualitative and quantitative factors into consideration when selecting suitable execution venues and entities:

- Liquidity;
- Costs applied by an execution venue;
- Likelihood of execution and settlement;
- Other relevant factors (for example, the Bank’s general assessment of and confidence in the execution venue or execution entity).

For the purposes of delivering best execution where there is more than one competing venue, 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 as well.

## 5. Order Handling

The Bank shall commence the execution of the order immediately after the receipt of the order from the client, unless the clients give specific instructions to act otherwise or the orders are received outside the marketplace's opening hours. In the latter case the orders will normally be executed when the marketplace reopens.

Comparable orders of clients shall normally be executed on the basis of the time priority principle (sequentially), and always with priority over the Bank's own orders.

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.

The Bank shall normally execute an order of each client separately. Aggregation of orders is only possible in the situations described in the Policy and on the condition that the aggregation of orders and transactions will not work overall to the disadvantage of any client whose order is to be aggregated. The Bank notifies the client about its intent to aggregate an order and discloses to each client whose order is to be aggregated the effect of aggregation. The Bank shall not aggregate the clients' orders with its own orders under any circumstances.

Splitting on orders is possible with respect to the financial instruments traded on a regulated market, a multilateral trading facility and / or an organised trading facility.

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.

## 6. Review and Reporting

The Policy is subject to review 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 will notify its clients about any material changes in the Policy and publish the updated version of the Policy on the website of the Bank.

The Bank will also 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. 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.

## 7. Bank's Selected Execution Venues and Entities

Orders in financial instruments submitted by the retail (non-professional) and professional clients will be executed in the execution venues specified below (as specified in Annexes to the Policy):

- Orders in shares of companies of the Baltic States – on NASDAQ stock exchanges in Vilnius, Tallinn and Riga and Nordea Bank Abp;
- Orders in financial instruments that are traded on the regulated markets and (or) multilateral trading facilities, placed via the Luminor Trade platform, – Saxo Bank A/S;
- Orders in exchange traded funds (ETF) other than those placed via the Luminor Trade platform, – via BNY Mellon Capital Markets EMEA Limited, HSBC Trinkaus & Burkhardt AG and Nordea Bank Abp, also NASDAQ stock exchanges in Vilnius, Tallinn and Riga;
- Orders in shares of companies that are traded on the regulated markets and (or) multilateral trading facilities, other than those of the Baltic States and those placed via the Luminor Trade platform and via Nordea Bank Abp;
- Orders in collective investment undertakings units – via HSBC Trinkaus & Burkhardt AG and Nordea Investment Funds S.A., Nordea Funds Ltd., East Capital Asset Management AB and DNB Asset Management S.A.;
- Orders in debt securities:
  - (i) Orders in government debt securities of the Baltic States issued locally – via Luminor Bank AS, AB SEB Bankas and "Swedbank", AB;
  - (ii) Orders in government debt securities of the Baltic States other than those specified in the preceding item – via Luminor Bank AS, Bloomberg Multilateral Trading Facility and others;
  - (iii) Orders in non-Baltic debt securities – via Luminor Bank AS, Bloomberg Multilateral Trading Facility and others;
- Orders in structured financial instruments – via Nordea Bank Abp.

Where client orders cannot be executed in any of the venues specified above 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.