

## BASIC TERMS AND DEFINITIONS

**Bank** – JSC "Rietumu Banka", registered office: 7 Vesetas Street, Riga, Latvia.

**Client** – an existing client of the Bank, to whom the Bank provides services under and in line with the General Conditions of the Opening and Maintenance of Financial Instruments Account.

**Eligible counterparty** – a Client who has received the status of an eligible counterparty under and in line with the provisions of the "Financial Instrument Market Law" of the Republic of Latvia.

**MiFID** – EC Markets in Financial Instruments Directive No.2004/39/EC, 21 April 2004.

**Multilateral Trading Facility** – a system maintained by an investment brokerage company, credit institution or a market maker, where, under equal conditions, the orders of third parties are executed to buy or sell financial instruments, as a result of which deals are concluded.

**General Conditions of the Opening and Maintenance of Financial Instruments Account** – the conditions, under which the Bank opens

a financial instrument account and cash account for a Client and provides services in financial markets.

**Special Instructions** – the time and/or price and/or venue of execution and/or volume of a transaction, as well as other instructions pertaining to a transaction specified in a Client's order.

**Professional Client** – a Client who has received the status of a professional Client under and in line with the provisions of the "Financial Instrument Market Law" of the Republic of Latvia.

**Regulated Market** – the body of organizational, legal and technical measures, which makes it possible to regularly and openly conclude deals in the market of financial instruments.

**Systematic Internaliser** – an investment brokerage company or a credit institution which, on an organized, frequent and systematic basis, deals on its own account to execute Client's orders outside a Regulated market or a Multilateral Trading Facility.

**Trading Venue** – the place of execution of a Client's order.

## 1. OBJECTIVES AND APPLICATION

1.1. This Policy defines the procedures for the execution of Client orders under the General Conditions of the Opening and Maintenance of Financial Instruments Account.

1.2. This document governs the Bank's obligations pertaining to the execution of Client orders, establishes the procedure for the aggregation of Client orders, and defines best execution and regulations regarding Trading venues.

## 2. AGGREGATION OF CLIENT ORDERS

2.1. The Bank may aggregate a Client order with other Client orders for joint execution and execute them in aggregation with the deals that the Bank conducts for own account.

2.2. If the Bank executes a Client order in aggregation with a transaction on own account, after the respective order has been executed the Bank undertakes to ensure the fair allocation of the resulting assets in a way, which will not be detrimental to the Client's interests.

2.3. If the Bank aggregates a Client order with a deal on own account and the aggregated order is only partially executed, the Bank allocates the resulting assets to the Client in priority to the Bank.

However, if without such aggregation the Bank would not have been able to carry out the Client order on such terms, or would not have been able to execute it at all, the result of the transaction is allocated proportionally.

## 3. BEST EXECUTION

3.1. The obligation to deliver the best possible result to a Client only applies to Client orders for transactions with financial instruments governed by MiFID. The principle of obtaining the best possible result is not applicable in the following cases:

- when the Bank provides a quote to the Client for financial instruments, regarding which the Client has submitted an order;
- if the Client has received the status of an Eligible counterparty;
- in Spot FX transactions;
- in transactions with OTC financial instruments;
- in transactions executed after the Trading Venues or the respective market has been closed.

3.2. When executing a Client order the Bank takes all reasonable steps to deliver the best possible result to the Client, taking into

account the following factors: speed of execution, likelihood of execution, settlements, price, size of the transaction, costs and other factors relevant to the execution of an order.

To determine, which execution factors will have higher priority, the Bank will analyze the respective order and the potential deal based on experience and the available information about the market situation, taking into account the following criteria:

- the status of the Client;
- the type of the Client order, including the characteristics of financial instruments involved;
- execution venues (a Regulated Market, a Multilateral Trading System, a Systematic Internaliser or other execution venue to which the order can be directed).

3.3. For the purposes of ensuring that the Bank obtains the best possible result for the Client, in the absence of Special Instructions, the Bank will determine the relative importance of execution factors according to the order of application of the factors of best execution with regard to each individual Client as the Bank considers best for the respective Client.

3.4. In order to obtain the best possible result for Professional Clients in transactions with financial instruments, the Bank will first of all consider the speed and precision of execution of the Client order; the price will not be given precedence over these other considerations in this case.

3.5. When executing a Client order following Special Instructions, the Bank is not required to immediately publish information about the deal in the market, unless the Client has specifically informed the Bank of such a requirement.

3.6. Whenever a Client order contains Special Instructions the Bank will execute the order following the Client's Special Instructions, in which case the Bank is released from its obligation to adhere to the principle of obtaining the best possible result for the Client.

3.7. For the purposes of delivering best execution when there is more than one Trading Venue to execute a Client order, in the absence of Special Instructions, the Bank compares the conditions under which the aforementioned Client order may be executed on each of the Trading Venues and chooses the Trading Venue, which is most likely to deliver the best possible result to the Client, taking into account the speed and costs of execution, including the commission fees on each of the eligible Trading Venues.

3.8. The Bank will assess whether the principle of obtaining the best possible result has been satisfied with regard to a series of orders rather than with regard to each individual Client order.

3.9. If the Bank transfers a Client order for execution by a third party, the Bank takes all reasonable steps to ensure the best possible result by taking into consideration the execution factors.

3.10. The provisions of this section are not applicable to the Clients who have received the status of an Eligible counterparty.

#### 4. TRADING VENUES

4.1. Client orders can be executed in and outside Multilateral Trading Facility, and in and outside Regulated Markets. "The list of trading venues and business partners for deals with financial instruments" is approved by the Board of the Bank and the list is published on the home page [www.rietumu.lv](http://www.rietumu.lv).

4.2. When acting according to the regulations of this Policy, the Bank has the right to buy and sell financial instruments to a Client from Bank's personal portfolio or to the Bank's personal portfolio, thus acting as the deal's party.

4.3. For particular financial instruments the Bank can use one Trading venue, and in such circumstance the Bank will believe that best execution is delivered.