



**Order Execution Policy for
Investment Services No. 100-01-07**

Riga, 2017

Table of contents

1.	General provisions.....	2
1.1.	Policy Status.....	2
1.2.	Regulatory enactments, according to which, the Policy is developed.....	2
1.3.	Responsibility, Recipients of the documentation.....	2
1.4.	The terminology which is used in this Policy.....	3
2.	Key principles of the Policy.....	3
3.	Compliance of Services.....	4
4.	Execution Venues.....	4
5.	Ensuring Best Results.....	5
6.	Special Customer Instructions.....	6
7.	Orders for Transactions in Financial Instruments Traded in Regulated Market.....	6
8.	Orders for Transactions in Financial Instruments Traded Outside Regulated Market.....	6
9.	Orders for Transactions in Investment Fund Certificates.....	7
10.	Limit Orders.....	7
11.	Acceptance of Orders and Transfer to Partner for Execution.....	7
12.	Merger, Execution and Splitting of Orders.....	7
13.	Customers order Execution upon Termination of Market Operations, System Failures, and Other Difficulties.....	8
14.	Policy Review.....	8
15.	Employees Responsible for Implementation of Policy.....	9
16.	Annexes, Related Documents.....	9

1. General provisions

1.1. Policy Status

- 1.1.1. AS "PrivatBank" Order Execution Policy for Investment Services is a basic document that governs the Bank actions while executing customer orders.

1.2. Regulatory enactments, according to which, the Policy is developed

- 1.2.1. This Policy has been developed in accordance with:
- The "Credit Institutions Law" of the Republic of Latvia;
 - Financial instrument market law of the Republic of Latvia;
 - Investor protection law of the Republic of Latvia;
 - The regulatory enactments and recommendations of the Financial and Capital Market Commission of the Republic of Latvia;
 - The regulatory enactments of the Bank of Latvia;
 - Directive 2004/39/EC of the European Parliament and the Council of 21 April 2004 on Markets in Financial Instruments;
 - Commission Regulation (EC) No 1287/2006, providing investment services and investment ancillary services;
 - Other binding regulatory enactments and recommendations, as well as internal regulatory documents of the Bank.

1.3. Responsibility, Recipients of the documentation

Process coordinator: Head of Treasury Department.

Responsibility, sphere of activities

This document is binding and must be observed by the Bank's structural units whose duties are related to providing investment services and investment ancillary services.

If the Policy execution is impossible, the employee who has discovered it must immediately inform the head of his structural unit, the process coordinator herein and an employee of the Compliance Control Department for introduction of changes.

Recipients of the documentation:

- Head of the *Back-Office* and settlement department;
- Head of the Individual and Corporate resident customer service;
- Head of the International customer service;
- Head of the Marketing and Advertising Department;
- Head of the Treasury department;
- Head of the Trust Transactions department.

1.4. **The terminology which is used in this Policy**

Bank – AS “PrivatBank”;

Customer – an individual or legal entity, which the Bank provides investment services to (including ancillary investment services) according to Section 3, Paragraphs 4 and 5 of the Law;

Customer status – one of the three customer classification categories (individual customer, professional customer or competent business partner) the Bank uses to assess customer interests and provide a relevant protection level on the basis of customer’s previous experience and knowledge about financial instruments as well as performance characteristics;

Financial Instruments (FI) – agreements, which concurrently create financial assets for one person, and financial liabilities or capital securities for another one, and are defined in the Law:

- transferable securities (shares, bonds, depository certificates, and other transferable securities);
- investment certificates of investment funds and other transferable securities that certify participation in investment funds or equivalent mutual investment entities,
- money market instruments,
- derivative financial instruments,
- derivative commodity instruments;

Law – Financial Instrument Market Law of Republic of Latvia;

Order – an expression of will of the customer or his/her authorised person regarding financial instruments (to buy, sell, transfer to another account or another person’s account, re-register, pledge, etc.) drafted in the Bank-specified form and procedure. On the basis of order the Bank starts transactions in financial instruments.

OTC – Over the Counter Market.

Partner – a legal entity entitled to provide broker services in financial instrument transactions, which the Bank has involved in holding financial instruments and executing customer orders, including depositories, banks, brokers, investment companies, mediators, agents, etc. (the list of key partners provided in Annex No. 1);

Policy – Order Execution Policy for Investment Services;

Transaction – an agreement between the customer and the Bank regarding financial instruments, in which the client agrees with the price / quotation offered by the Bank and other terms of the agreement.

2. **Key principles of the Policy**

- 2.1. The Bank has developed and implements this Policy according to the requirements of regulatory enactments, which govern the provision of investment services and investment ancillary services for the purpose of:
 - 2.1.1. providing quality order execution process to customers;
 - 2.1.2. achieving the best results of financial instrument transactions;
 - 2.1.3. to familiarize the customer with the Order Execution Policy specified by the Bank.
- 2.2. The Policy is applicable to all customers regardless of their status, when the Bank:
 - 2.2.1. is executing customers orders;
 - 2.2.2. is accepting the customer orders and passing them to the partner for execution.
- 2.3. In the order execution process the Bank complies with the following key principles:
 - 2.3.1. ensuring the best possible results of financial instrument transactions on the basis of correlation between customer income and expenditure within the framework of regulatory enactments, which govern the provision of investment services;
 - 2.3.2. regular update of the Policy;
 - 2.3.3. public access to the Policy on the Bank website and at customer service points;
 - 2.3.4. monitoring of financial instrument transaction execution venues and partner businesses.

- 2.4. Prior to concluding an investment service agreement, the Bank shall introduce the customer to the Policy in its current edition and the customer is obliged to get acquainted with the Policy. The customer recognition of and consent with the provisions of the Policy shall be conscious, responsible, and unequivocal. The customer shall confirm their consent with the Policy provisions by signing a document of a certain form or the investment service agreement.
- 2.5. The Bank:
- 2.5.1. shall execute customer orders according to this Policy, customer orders shall be registered immediately and executed on a “first come, first served basis” according to customer instructions.
 - 2.5.2. customers shall be informed about significant problems encountered in the order execution process in private, via specified communication channels;
 - 2.5.3. shall immediately transfer the financial instruments or monetary funds generated from the transaction to the customer financial instrument account and/or investment account with the Bank;
 - 2.5.4. shall furnish the customer information about the execution of orders and rendering investment services, including the information about the expenses (costs) related to the execution of orders/providing of investment services;
 - 2.5.5. undertakes not to disclose the information obtained in the process of providing investment services to any third parties – neither partially, nor in full ;
 - 2.5.6. shall keep customers financial instruments separately from the financial instruments of the Bank.

3. Compliance of Services

- 3.1. To comply with the requirements of regulatory enactments, which govern the provision of investment services, the Bank shall evaluate the compliance of investment services to be rendered (based on customer status).
- 3.2. Evaluation of the compliance of investment services shall be carried out prior to conclusion of investment service agreement. Executive employees of Treasury Department and Trust Transaction Department shall perform evaluation based on customer submitted information, and prepare a written opinion thereof.
- 3.3. On the basis of customer submitted information (in some cases additional documents are requested) the Bank shall evaluate and assign the customer status in accordance with the requirements of the law and the Policy of Establishing Customer Status for Providing Investment Services.

4. Execution Venues

- 4.1. To ensure access to the execution venues of financial instrument transactions, the Bank uses services of brokers - partners. To establish partner relationship, brokers are assessed in view of requirements and criteria set forth in clause 11 herein.
- 4.2. To execute each customer order for transactions in specific financial instruments, the Bank shall select a broker – a partner, which has an access to the relevant transaction venue and in the opinion of the Bank is the most appropriate one to ensure the best results of transactions in customer financial instruments.
- 4.3. To ensure the most beneficial transaction result to the customer, the Bank may execute the customer order outside the regulated FI market – enter into deals with another FI market player, another customer of the Bank or conclude a transaction for the account of the Bank.
- 4.4. The Bank is entitled to execute customer orders outside the regulated FI market if the customer has provided relevant written instructions (such instruction may be included in the terms of the agreement).
- 4.5. If a customer order may be executed in different FI venues, a possible outcome for each venue is analysed and the best one is chosen.
- 4.6. There are certain situations, when for certain financial instrument transactions there may be only one execution venue. When executing orders for such financial instruments it is deemed that the Bank has ensured the best possible FI result to the customer.
- 4.7. For trust operations, when the customer has authorised the Bank to carry out a financial instrument transaction with a certain contractor or partner at the customer set price, it is also deemed that the Bank has ensured the best possible outcome for the specific order.

- 4.8. With the help of the selected partner the Bank uses permanent, reliable and safe **trade venues** to execute customer orders:
- 4.8.1. AMEX – American Stock Exchange (shares, traded funds, options);
 - 4.8.2. ASX – Australian Stock Exchange Ltd. (shares, traded funds, options);
 - 4.8.3. CBOT – Chicago Board of Trade (derivative financial instruments);
 - 4.8.4. CME – Chicago Mercantile Exchange (derivative financial instruments);
 - 4.8.5. EUREX – Eurex (derivative financial instruments);
 - 4.8.6. EUR_LIF1 – Euronext Commodities Derivatives – LIFFE (derivative financial instruments);
 - 4.8.7. EUR_LIF3 – Euronext Interest Rate Derivatives – LIFFE (derivative financial instruments);
 - 4.8.8. FSE – Frankfurt / Xetra Stock Exchange (shares, traded funds, options);
 - 4.8.9. GLOBEX – GLOBEX (derivative financial instruments);
 - 4.8.10. HKEX – Hong Kong Stock Exchange (shares, traded funds, options);
 - 4.8.11. ICE – Inter Continental Exchange of London (derivative financial instruments);
 - 4.8.12. LME – London Metal Exchange (derivative financial instruments);
 - 4.8.13. LSE_INTL – London International Exchange (derivative financial instruments);
 - 4.8.14. LSE_SETS – London Stock Exchange SETS Market (shares, traded funds, options);
 - 4.8.15. NASDAQ – NASDAQ Global Markets (shares, traded funds, options);
 - 4.8.16. NSC – NASDAQ Capital Market (shares, traded funds, options);
 - 4.8.17. NYMEX/COMEX – New York Mercantile Exchange (derivative financial instruments);
 - 4.8.18. NYSE – New York Stock Exchange (shares, traded funds, options);
 - 4.8.19. NYSE_ARCA – NYSE ARCA (shares, traded funds, options);
 - 4.8.20. SSE – OMX Stockholm (shares, traded funds, options);
 - 4.8.21. SWX – Swiss Exchange (shares, traded funds, options);
 - 4.8.22. TSE – Toronto Stock Exchange (shares, traded funds, options);
 - 4.8.23. MICEX – Moscow International Currency Exchange (shares, traded funds, options).
- 4.9. On over-the-counter (OTC) markets the Bank uses services of its key partners – credit institutions and brokerage companies of the European Union, USA, and CIS – which the Bank has partnership relations with according to the effective procedures.

5. Ensuring Best Results

- 5.1. 5.1. When executing customer orders, or accepting them and transferring for execution, the Bank acts in way to ensure the best possible result to the customer. Upon execution of customer orders the Bank considers the following important factors:
- 5.1.1. transaction price and the costs thereof;
 - 5.1.2. customer profile, including customer status;
 - 5.1.3. promptness of execution and feasibility;
 - 5.1.4. type of FI – the object of order;
 - 5.1.5. execution venue;
 - 5.1.6. transaction profile or other factors that have an impact on the execution efficiency, security and execution procedure.
- 5.2. The Bank assesses the abovementioned factors and defines which of them should be given a priority to ensure the best transaction results of the FI.
- 5.3. The Bank assumes that the best price on the regulated market is determined by demand and offer on the FI during an auction on a specialized trade platform (stock market).
- 5.4. The Bank transfers the customer order for execution only to those financial organizations or brokers, which have approved a relevant policy to ensure the best possible outcome of financial instrument transactions.
- 5.5. Before initiating cooperation, the Bank carries out a thorough verification of financial organizations or a brokerage company, the services of which will be used. During evaluation, the Bank considers such factors, as price, additional expenses, the probability of Order implementation, the calculation speed, as well as other factors, which may be important for Order implementation.
- 5.6. The Bank assumes that the best price on the OTC market is the price of demand or offer on the financial instrument, which is best among the Bank key partners as of the execution of customer order.
- 5.7. Executive employees of the Treasury Department and Trust Transaction Department shall document the results of analysis and compare the possible options if customer order may be

executed in multiple venues. Selection results shall be kept together with transaction documents.

- 5.8. The transaction price and the costs thereof are considered to be among the most crucial factors in executing a transaction. However, in some cases, other factors may be regarded more important than the transaction price and the costs. In certain cases, specific conditions of the customer order are taken into account (e.g. heavy trading volume, non-liquid FI market, etc.).
- 5.9. If the Bank executes an order of a “private customer” (status), the best execution price of transaction in FI is determined taking into account all costs (fees, extra remuneration to the broker, etc.) the customer may face upon the execution thereof (nett price).
- 5.10. 5.9. To facilitate the best results in financial instrument transactions and quality execution of customer orders, the Bank provides an option of trade orders of different types and complexity (*Market, Limit, Stop* orders, as well as their combinations and bundles) accepted by international players in financial markets.
- 5.11. Executive employees of Treasury Department and Trust Transaction Department, who execute customer orders, determine the best execution price for the period. The executive employees shall take into account this Policy, the respective procedures, their professional knowledge on financial markets, and professional ethics.

6. Special Customer Instructions

- 6.1. If the customer submits an order with special instructions, the Bank shall execute the special order in compliance with customer instructions.
- 6.2. The customer understands and agrees that executing special instructions in some cases the Bank may fail to ensure the best transaction results. In such cases, the Bank shall inform the customer respectively.
- 6.3. Complying with the requirements of a special order, the Bank shall act as a professional and prudent manager.
- 6.4. If the instructions of the special order cannot be complied with, the Bank shall inform the customer respectively.

7. Orders for Transactions in Financial Instruments Traded in Regulated Market

- 7.1. The Bank executes orders for transactions in financial instruments traded in the regulated market at the market price or the price specified in the customer order, ensuring the best possible result according to the principles herein.
- 7.2. If the customer order sets specific execution requirements, the appropriate order shall be executed according to the provisions of Chapter 6 herein.

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

- 8.1. Outside the regulated market, the Bank shall execute customer orders for transactions in debt financial instruments (bonds, credit notes, deposit certificates, etc.), various derivative financial instruments traded outside the regulated market (stock exchange), and money market instruments.
- 8.2. In transactions outside the regulated market, the financial instrument price depends on the market value and the value of base assets.
- 8.3. Upon customer demand, the Bank may quote the mentioned financial instrument prices if the Bank is ready to execute transactions in the relevant financial instruments at such prices. (Upon such arrangement, a transaction is deemed to be the best possible result for the customer).
- 8.4. When executing the mentioned orders in the customer’s name, the Bank shall independently enter into transaction. Whenever possible, the Bank shall ensure the best possible transaction result for the customer; yet in some cases, when trading financial instruments outside the regulated market, it might be impossible to ensure the best and most profitable transaction result.

9. Orders for Transactions in Investment Fund Certificates

- 9.1. The Bank shall execute orders for transactions in investment fund certificates by transfer of orders to investment fund management, directly or via partners, according to the regulatory documents of investment funds.
- 9.2. Information on price formation, redemption of fund shares and other information on investment fund is available at the particular fund management company.

10. Limit Orders

- 10.1. The customer may submit an order, which is limiting the Bank as to the execution thereof, namely, an order to buy or sell a definite amount of financial instruments at a certain price or at the best price.
- 10.2. If the customer has submitted a limit order for transaction in shares included in the regulated market and the order has not been promptly executed due to market conditions, the Bank shall take measures to execute the order as soon as possible by disclosing information about the order to the market, i. e. forward the limit order to the execution venue, unless the customer has specified otherwise.

11. Acceptance of Orders and Transfer to Partner for Execution

- 11.1. The Bank establishes trading relationship with partners in accordance with its internal normative documents, which provides partner's preliminary research, analysis and reliability assessment.
- 11.2. Only a legal entity that has been authorized to provide investment services in its registration country, to keep records of financial instruments, to provide settlement of financial instruments and funds can become a partner of the Bank.
- 11.3. The Bank requests the proof of registration and permits (licenses) or verify the availability thereof on the partner's public website. The Bank partner shall also comply with other requirements and criteria, such as The partner must also meet the following requirements and criteria:
 - 11.3.1. impeccable international reputation;
 - 11.3.2. latest order execution technologies;
 - 11.3.3. security of obligation fulfillment and operativeness in complicated market situations;
 - 11.3.4. appropriate level of credit risk;
 - 11.3.5. market value quotations and competitive service fees;
 - 11.3.6. the partner has been monitored and audited in accordance with the procedures set by the market regulator and international auditors;
 - 11.3.7. partner transparency – submission of required reports for monitoring of its current state, submission of replies to requests arising during the partnership, etc.
- 11.4. The Bank shall only transfer customer orders for execution to such partners, which have an approved a relevant policy to ensure the best results for customer transactions.
- 11.5. Upon transfer of customer instructions or orders to the partner the Bank is responsible for:
 - 11.5.1. the content and accuracy of transferable information;
 - 11.5.2. the recommendations and advice given to the customer, if any are given by the Bank.

12. Merger, Execution and Splitting of Orders

- 12.1. The Bank at its own discretion may merge customer orders with the transactions the Bank executes for its own account, as well as merge multiple orders of the customer.
- 12.2. The Bank shall only merge orders if merger provides the best possible transaction result in the interests of customers whose orders are merged and only in the cases if execution of orders or transactions is unlikely to cause harm to the interests of such customers.
- 12.3. Prior to merger of orders or transactions, the Bank shall inform the customer whose order is merged with another customer's order that such merger might cause loss in regard to the particular order.
- 12.4. The executive employee of Treasury Department or Trust Transaction Department shall inform the customer via specified communication channels (or via service manager) that their order was merged or might be merged with another customer's order, or the Bank transaction to ensure the best possible execution. If the customer disagrees, the order shall not be merged; it shall be executed separately from orders of other customers and in the sequence, they have been received.

- 12.5. When merging an order, which the Bank executes for its own account, with one or several customers' orders the relevant customer transaction shall be split or re-distributed without causing harm to customers' interests.
- 12.6. If the customer order is merged with orders of other customers for the best possible execution and the merged order is executed partially, the Bank shall distribute the partially executed transaction among the customers pro rata their orders.
- 12.7. If the Bank merges the customer order with a transaction the Bank executes for its own account and the merged order is executed partially, the Bank, when distributing the appropriate transactions, shall act so that the customer order be executed first, and only then, as far as possible, the Bank's own transaction be executed.
- 12.8. The Bank, regarding the transaction executed for its own account, may divide the income and/or costs proportionally if without merger it would have failed to execute the order at all or execute it on such beneficial terms. The Bank is able to substantiate such decision.

13. Customers order Execution upon Termination of Market Operations, System Failures, and Other Difficulties

- 13.1. Upon termination of financial market operations, the Bank reserves the right to reject execution of the customer orders or delay the execution until the financial market resumes operation; the executive employee of Treasury Department or Trust Transaction Department shall notify the customer thereof.
- 13.2. If during the idle period of the regulated market (stock exchange) the customer submits a limit order, the Bank shall try to execute such order on the over-the-counter market.
- 13.3. If during the idle period of the regulated market (stock exchange) the customer submits an order at market price, the employee of the Treasury Department or Trust Transactions Department shall notify the customer of possible risks of execution on the over-the-counter market, and possible violation of the principle of execution at the best market price (Customer shall be notified via specified communication channels).
- 13.4. In case of failure in the Bank's internal systems, the Bank reserves the right to reject execution of customer orders if the executive employee of the Treasury Department or Trust Transaction Department has adequately identified the impossibility of executing customer orders due to the system failure.
- 13.5. If the executive employee of the Treasury Department or Trust Transaction Department has adequately identified the possibility of executing customer orders, and the failure in the internal systems would not affect the execution thereof, the employee shall notify the customer of order acceptance.

14. Policy Review

- 14.1. To assess Policy efficiency, the Bank reviews the Policy and the order execution procedure at least once a year, as well as upon occurrence of significant changes that may influence the Bank ability to ensure customers the best possible transaction results in the process of order execution.
- 14.2. Customer service managers inform the customers about substantial amendments to the Policy.
- 14.3. Customer may be acquainted with the current Policy (the amendments the policy) on the Bank website. At customer's request the Policy (the amendments the policy) may be individually forwarded to the customer via specified communication channels.

15. Employees Responsible for Implementation of Policy

- 15.1. **The Bank Council** shall approve the Policy and supervise the execution thereof.
- 15.2. **The Bank Board** shall be responsible for:
 - 15.2.1. control of Policy implementation;
 - 15.2.2. approval of relevant procedures for the execution of Policy;
 - 15.2.3. ensuring conditions for the execution of Policy, providing financial resources and hiring qualified employees.
- 15.3. **The Treasury Department and Trust Transactions Department** are responsible for:
 - 15.3.1. execution of customer orders and providing investment services according to the requirements hereunder;
 - 15.3.2. review of Policy according to clause 14.1 herein;

- 15.3.3. timely notification of the Board or the responsible Board member about the events (factors) that have a significant impact on the Bank ability to ensure the best possible transaction results to the customer in the order execution process;
- 15.3.4. timely transfer of documents related to investment services (agreements with customers on transactions in financial instruments, information about customer knowledge and experience, documents that prove execution of financial instrument transactions, information about investment services that might trigger a conflict of interests) to storage at Bank.
- 15.4. **The head of Treasury Department** is responsible for timely update of the Policy and for forwarding it to **Marketing and Advertising department** for publishing it on the homepage of the Bank, after it has been approved by the Council of the Bank.
- 15.5. **The Internal Audit Department** shall carry out independent inspections to evaluate the implementation of this Policy according to the Council approved work schedule.

16. Annexes, Related Documents

16.1. Annexes

Annex No.1 - Key Partners for Transactions in Financial Instruments.

16.2. Related Documents

Name	Location	Responsible employee
Policy for Defining Customer Status for Providing Investment Services	At the internal informational disk of the Bank	Head of the Treasury department
Conflicts of Interests Management Policy		Head of the Legal department and Head of the Compliance Control department

Annex No.1

Key Partners for Transactions in Financial Instruments

1. Renaissance Capital (Russia)
2. ПАО КБ Приватбанк (Ukraine)
3. OANDA Corporation (Canada)
4. PPF BANKA A.S. (Czech Republic)
5. Norvik banka (Latvia)
6. InterpromBank (Russia)
7. TransCapitalBank (Russia)
8. ABLV banka (Latvia)
9. SberBank (Russia)

10. Zenit Kapital (Slovakia)
11. Eirāzijas Banka (Kazakhstan)
12. Gruzijas Banka (Georgia)
13. BCS FINANCIAL GROUP (Russia)
14. DOLPHIN FINANCIAL (UK) LTD (United kingdom)