

POLICY OF EXECUTION OF ORDERS FOR TRANSACTIONS WITH FINANCIAL INSTRUMENTS

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1. GENERAL PROVISIONS

1.1. The Bank's Policy of the Execution of Orders for Transactions with Financial Instruments was been elaborated on the basis of:

- applicable normative acts of the Republic of Latvia, including the Law on the Financial Instruments Market, Law on Protection of Investors;
- normative acts and instructions of the Financial and Capital Market Commission;
- normative acts of the Bank of Latvia;
- European Union regulations;
- the Bank's business development strategy.

1.2. The Bank's Board shall develop and the Bank's Council shall approve the Policy of the Execution of Orders for Transactions with Financial Instruments and shall ensure its revision at least once per year, taking into account:

- changes in this Policy's subsection 1.1. the aforementioned normative acts;
- generally accepted international practice.

1.3. The Policy shall be binding for the following structural units of the Bank:

- Treasury Division;
- Customer Asset Management Service;
- Customer Division.

1.4. The Policy shall be applied to all Customers regardless of the Status assigned to the Customer.

1.5. The Policy shall be applied to:

- execution by the Bank of the Customer's orders;
- the Bank acceptance of the Customer's Orders and transferring them for execution to its Partners.

2. TERMS AND ABBREVIATIONS

Bank	JSC „Meridian Trade Bank“
Financial instruments	an agreement, which concurrently creates financial assets for one person, but financial liabilities or capital securities for another
Investment services and ancillary (non-core) investment services	services, which are mentioned in the Latvian Law on the Financial Instruments Market and which are provided by the Bank.
Status of a Customer	customer identification performed by the Bank, taking into account the competency, knowledge and experience of the Customer in transactions with financial instruments
Customer	Customer of the Bank to whom the Bank provides investment services and ancillary (non-core) investment services on basis of a contract concluded according to the Bank's "General Business Terms and Conditions". The Bank's Customer can have a status of a professional customer, retail customer or eligible counterpart
Counterpart	any legal entity, which is entitled to provide investment services in transactions with financial instruments
Policy	here - Financial Instruments Transaction Order Execution Policy
Retail Customer	a customer, who is not a professional customer
Professional Customer	a customer, who has an appropriate experience, knowledge and competence that enables him/her to take independent investment decisions and adequately evaluate risks being taken such way.
Order	disclosure of the Customer's or his/her duly authorized person's will in relation to Financial Instruments (buy, sell, transfer to another account, de-register, pledge), based on which the Bank starts execution of the financial instruments transaction
Business development strategy	here - business development strategy of AS "Meridian Trade Bank"
Systematic Internaliser	an investment brokerage firm or a credit institution that deals on its own account on an organized, frequent and systematic basis by executing customer orders outside the regulated market or a multilateral trading facility
Eligible Counterpart	an investment brokerage firm, credit institution, insurance company, investment management company, pension fund and its managing companies, other financial institutions, which are licensed and operates according to the member state's normative acts regulating financial services, commercial entities mentioned in Article 101 (part seven, sections 10 and 11) of the "Law on the Financial Instruments Market", governments and other state institutions managing national debt, central bank and transnational organizations
NASDAQ OMX Riga	securities exchange Nasdaq Riga - organizer of the regulated securities market in Latvia

3. RESPONSIBILITY

3.1. Provision of requirements of the Policy of Execution of Orders for Transactions with Financial Instruments shall be the responsibility of the Board member, who is in charge of the Customer Asset Management Service.

3.2. Head of the Customer Asset Management Service shall be responsible for the development of the procedure for Customer Order execution.

3.3. Execution of orders, which are described in the Policy of Execution of Orders for Transactions with Financial Instruments and procedures shall be the responsibility of managers of the respective structural units of the Bank.

3.4. Head of the Customer Asset Management Service shall be responsible for operational control of execution of the Customer Orders by the Bank.

4. PLACES AND ORDER OF TRANSACTION EXECUTION

- 4.1. The Bank is the member of NASDAQ QMX Riga.
- 4.2. The Bank shall have an obligation to inform the Customer about any changes, that are related to provision of financial instrument services.
- 4.3. Current information about the Policy of Execution of Orders for Transactions with Financial Instruments, execution venues shall be published on the Bank's website www.mtbank.eu.
- 4.4. Before entering into Agreement on receiving of the Bank's services for investments in financial instruments, the Customer shall be familiarized with contents of the Agreement and all related documents, Policy for the Execution of Orders of Transactions with Financial Instruments, Bank's Policy on Prevention of the Conflict of Interests in Provision of Investment Services and Ancillary (non-core) Services, venues for execution financial instrument transactions, and the Bank's "General Business Terms and Conditions", description and risks of financial instrument transactions, cost of services offered by the Bank, and related expenses.
- 4.5. The Bank shall provide the Customer with access to several financial instrument transaction execution venues.
- 4.6. On a contractual basis, the Bank shall use Partner services to ensure access to such venues, where the Bank itself does not have a direct access.
- 4.7. The Bank shall choose the execution venue among its Partners which, in the Bank's opinion, is the most appropriate one to provide the Customer with the best possible result, and shall execute the Customer's Order outside the regulated market and multilateral trading facility, except in cases, when the Customer's Order includes a request not to execute Orders outside the regulated market.
- 4.8. If in case of any of financial instruments the Bank has access to only one execution venue, its usage for execution of the Order shall be considered as provision of the best possible result to the Customer.
- 4.9. The Bank shall execute the Customer's Orders without delay and in the order in which they have been submitted, unless any Order peculiarities or existing market conditions make them non-executable in such way or unless the Customer's interests require different behaviour.
- 4.10. The Bank shall not combine Orders of several Customers into one transaction, but it can combine Orders of one Customer and the Bank, according to the following requirements of the Law on the Financial Instruments Market:
 - the orders shall be combined only in the case if there is a small possibility that the combination of orders or transactions will harm the interests of the Customer, the order of whom is combined;
 - prior to the combination of orders or transactions the Bank shall have an obligation to inform the Customer, whose order is combined with the order of the Bank, that such a combination may cause loss in relation to the specific order;
 - If the Bank has combined the transaction at its own expense with the order of one Customer, then it shall divide or redistribute the respective transaction without making harm to the interests of the Customer.
 - If the Bank combines the order of the Customer with the transaction at its own expense and the combined order is executed partially, then it shall divide the respective transactions in order of priority - at first, in favour of the Customer and then to the Bank. If the Bank may reasonably prove, that it would not have been able to execute the order in accordance with such beneficial conditions, or it would not have been able to execute it at all without such a combination, then it may apply the distribution of proportional income on its own expense in relation to the transaction.
- 4.11. If the Customer has submitted a limit order regarding the shares, which are included in the regulated market, and such an order has not been promptly executed in the circumstances of the existing market, then the Bank, unless the Customer has clearly indicated otherwise, shall undertake measures in order to ensure the execution of the above mentioned order as soon as possible by disclosing the information on this order to the market. This requirement will be regarded as fulfilled, if the Bank, in accordance with the Article 31 of the European Commission Regulation No. 1287/2006 has submitted a limit order to the organiser of the regulated market or the provider of the multilateral trading system.
- 4.12. When executing the Customer's Orders in relation to OTC transaction with secondary financial instruments, the Bank shall ensure compliance with the European Parliament and Council Regulation No. 648/2012, including

notice to the repository. The Bank shall inform the repository on the Customer's behalf about transactions concluded by the Customer only if there is a written agreement with the Customer about that.

5. ENSURING THE BEST RESULTS FOR THE CUSTOMER

5.1. The Bank, when executing Customer's orders on transactions with Financial instruments, performing the individual administration of the Financial instruments of the Customer in accordance with the authorisation of the Customer, or when accepting and delivering for execution the orders of the Customer for transactions with Financial instruments, shall ensure the best possible results for the Customer, taking into account the price, costs, execution speed, execution and payment possibility of the transaction, the scope and specifics of the transaction or any other considerations in relation to the execution of the order of the Customer.

5.2. The Bank, upon taking decision regarding the type for execution of the order of the Customer, shall be guided by the following factors:

- the characterisation of the Customer, including the status of the Customer - Private or Professional Customer;
- type of the Customer's Order;
- type of the financial instrument, which is the subject of the Order;
- place of the execution of the transaction with Financial instrument, where the order may be executed (regulated market, multilateral trading system, systematic internalizer, market provider or other liquidity provider).

5.3. The price for the execution of the transaction and expenses related to it shall be considered as the most important factors of the execution of the transaction. There may be cases acceptable, when other factors are considered as more important than the price for the execution of the Order and expenses related to it. Market liquidity indicators and significant volume of transactions shall be taken into account as specific circumstances.

5.4. If the Bank executes the order on behalf of the Private Customer, then the best possible result shall be determined as the total price, which shall include the price of the Financial instrument and expenses related to the execution, including all expenses, which have occurred to the Customer in direct relation to the execution of the order, including the price for the place of execution, billing fee, as well as the payment for other persons involved in the execution of the order.

5.5. In order to ensure the best results for the Customer in the case, when the order of the Customer on the transaction with Financial instruments may be executed in several trading places provided by policy for the execution of orders, the Bank shall evaluate the results to be achieved for the Customer in each trading place and compare these results. In the estimate the Bank shall additionally take into account the commission fee set by it and expenses for the execution of order in each trading place. When setting the commission fee for the execution of the order, the Bank shall not be entitled to unreasonably discriminate different trading places.

5.6. If the transaction of the Customer is divided into steps, then the best result shall be ensured for the Customer in each step. For repo transactions (credit for the acquisition of financial instruments) ensuring the best result for the Customer shall not be applied for a single step, but for the whole scheme.

5.7. The Bank shall be released from the obligation to ensure the best possible results for the Customer in accordance with the Policy, if the Customer has given special instructions regarding the fact, how the transactions with Financial instruments shall be performed, as to the placement of orders when performing individual administration of the Financial instruments of the Customer, regarding a person, to whom the order of the Customer shall be delivered for execution. In such a case, the Bank shall comply with the special instructions of the Customer.

6. ORDERS ON TRANSACTIONS WITH FINANCIAL INSTRUMENTS WHICH ARE USUALLY TRADED OUTSIDE OF THE REGULATED MARKET AND IN MULTILATERAL TRADING SYSTEMS

The Bank shall perform transactions with the Financial instruments listed in the regulated markets and multilateral trading systems. Orders of the Customer shall be executed in accordance with the market price by ensuring the best possible result of the transaction to the Customer. If the Order of the Customer contains special instructions, then the respective Order shall be executed in accordance with the principles of this Policy.

7. ORDERS ON TRANSACTIONS WITH FINANCIAL INSTRUMENTS WHICH ARE USUALLY TRADED OUTSIDE THE REGULATED MARKET

7.1. The Bank shall perform transactions with Customers on the Financial instruments and products, which are not traded in the regulated market, multilateral trading system or any other organised place of execution. Such financial instruments may be bonds and other debt securities, derivative transactions of currency and debt securities, derivative transactions, unlisted shares, structured products etc.

7.2. The Bank shall execute the Orders of Customers on transactions with the Financial instruments, which are not listed on regulated markets, in the following way:

- The Bank shall execute the Order of the Customer at the expense of the Bank for a reasonable price, taking into account the market value of the financial instrument as well as other market factors and events. The Bank shall list the price for these instruments for the Customer - indicative or precise. In cases, when the Customer offers the Bank to conclude the agreement regarding the transaction, which is related to financial instruments, the Bank may conclude a transaction with the Customer, agreeing on the details of the specific transaction;
- If the Bank has to execute the Order on behalf of the Customer, then the Bank shall execute the Order against the portfolio of the Bank for the price corresponding to the market price. The price shall be calculated from prices available on the market for the respective financial instruments to such an extent, that such prices of reference are available by adding to them the mark-up for financial profit, capital expenses and expenses for the risk of the partner of transaction.

7.3. The Bank shall submit transactions with investment certificates of investment funds directly or through mediators for the respective investment administration company, which shall administer the specific investment fund in accordance with the investment fund regulations of the above mentioned investment company. Pricing of the parts of the funds, withdrawal and other kind of information shall be available with the particular fund administration company.

7.4. Transactions with financial instruments or products, which the Bank develops individually for any particular Customer, are applicable under such conditions and price, on which it shall agree with the Customer. In such cases the transaction shall not be executed in accordance with this Policy, but aligned with the particular Customer and shall be considered as ensuring the best possible result to the Customer.

8. EVALUATION OF PARTNERS AND DELIVERY OF CUSTOMERS' ORDERS FOR THE EXECUTION TO THE PARTNERS

8.1. Evaluation of partners, to whom the execution of Customers' Orders are entrusted, shall take place regularly, at least once per year, by evaluating the ability of the respective Partner (institution) to ensure the execution of Orders of Customers in accordance with transactions and reputation in the finance market.

8.2. During the evaluation process, the following factors shall be assessed:

- Information available to the Bank in relation to the Partner, in particular, information, certifying the reputation of the Partner institution;
- Principles set in the policy for the execution of the Order of the Partner and understanding of the Partner on the desires and priorities of the Customers of the Bank;
- Trading places used by the Partner.

9. SEPARATE STORAGE OF THE ASSET OF THE CUSTOMER AND THE BANK

9.1. The Bank shall disclose the Customer's funds in its balance sheet. The Bank shall be entitled not to ensure separate keeping of the Customer's funds from the Bank's funds.

9.2. The Bank shall ensure separate keeping the Customer's Financial Instruments from the Bank's Financial Instruments.

9.3. The Bank shall be entitled to use the Customer's Financial Instruments in transactions on the Customer's own account or on another Customer's account, including transactions with security funding, only if the Customer has

provided a prior written approval to such transactions or if such transactions are carried out in compliance with specific conditions determined by the Customer with Order to the Bank.

10. BEHAVIOUR OF THE BANK IN THE CASE OF SYSTEM DAMAGES AND INTERRUPTIONS IN MARKET OPERATIONS

If the system damages and/or interruptions in market operations have occurred, then the Bank shall not be able to perform the execution of the Order of the Customer in accordance with the Policy. The Bank shall inform the Customer regarding these circumstances individually or by posting information on the web-page of the Bank. In the case of system damages and/or interruption in market operations, the Bank shall be entitled to withdraw from the requirements of this Policy, when executing or delivering orders by taking into account the interests of the Bank and Customers.

11. RELATED DOCUMENTS

11.1. Internal regulations:

- The Bank's Policy on Prevention of Conflict of Interests in Provision of Investment Services and Ancillary (non-core) Investment Services
- JSC "Meridian Trade Bank" General Rules for Transactions
- Procedure for Execution of Customer Orders in Transactions with Financial Instruments and Providing Customers with Information about Financial Instruments, Investment Services and Completed Transactions
- Procedure of Investment Services and Ancillary (non-core) Investment Services in Transactions with Financial Instruments Registered in the Republic of Latvia
- Procedure for Provision and Registration of Investment Services and Ancillary (non-core) Investment Services in Transactions with Financial Instruments Not-registered in the Republic of Latvia

11.2. External regulations:

- Latvian law "Law on the Financial Instruments Market"
- Latvian law "Law on Protection of Investors"
- European Commission Regulation No. [1287/2006](#) for implementing the European Parliament and Council Directive 2004/39/EC in relation to obligation of investment companies to keep accounts, submit transaction reports, market transparency, trade allowance of financial instruments, and terms defined in this directive
- European Parliament and Council Regulation No. 648/2012 on secondary OTC instruments, central transaction partners, and transaction registers