

# Terms and Conditions for Orders for Financial Instruments Transactions

## Addendum No.1 to Investment Management Joint Stock Company "AB.LV Asset Management" General Terms of Business

### 1. Application and Aims of the Terms and Conditions

- 1.1. These Terms and Conditions shall be binding upon Investment Management Joint Stock Company "AB.LV Asset Management", Brokerage Joint Stock Company "AB.LV Capital Markets", JSC "Aizkraukles banka" and their *Customers*.
- 1.2. These Terms and Conditions shall apply to provision of investment services to private and professional *Customers*.
- 1.3. For the purposes of these Terms and Conditions, execution of an order is investment services provided by the following joint stock companies (hereinafter referred to as the *Involved Company*):
  - IPAS "AB.LV Asset Management" carries on individual management of *Customers'* financial instruments;
  - IBAS "AB.LV Capital Markets" accepts and transfers *Customer* orders to the joint stock company "Aizkraukles banka" for execution;
  - JSC "Aizkraukles banka" executes *Customer* orders.
- 1.4. The aim of these Terms and Conditions is to determine principles whose observance results in the best results being ensured for *Customers* in *Customers'* transactions in financial instruments.
- 1.5. In execution of *Customer* orders, *Involved Companies* shall take measures required to achieve the best possible results for *Customer*. However *Customer* is aware that the principles, measures and terms set forth in these Terms and Conditions may not guarantee better results for every order.
- 1.6. In cases where *Customer* has given special orders concerning execution or replacement of his/its order, or specific parameters of the transaction, the *Involved Company* shall observe *Customer's* instructions. Observance of such instructions may hinder or prevent the *Involved Company* from performing actions for achievement of the best possible results in accordance with *the Terms and Conditions for orders*. Observance of *Customer's* special instructions shall release *Bank* from its obligation to ensure the best possible results for *Customer* concerning the elements incorporated in these Terms and Conditions.
- 1.7. In cases where *Customer's* limit order concerning shares traded in the regulated market may not be executed in the current market conditions immediately, *Bank* shall be entitled not to disclose information on such order, unless an opposite order is received from *Customer*.

### 2. Factors Impacting Execution

- 2.1. The *Involved Company* shall ensure the best results, taking into account the following factors:
  - price and costs of the transaction;
  - how fast the transaction is executed;
  - possibility of execution and settlements;
  - amount of the transaction;
  - peculiarities of the transaction;
  - any other considerations the *Involved Company* considers of importance for execution of the transaction.
- 2.2. Normally, in execution of *Customer's* orders, the best possible result is determined as total costs that cover the price of financial instruments and costs related to execution, including all expenses incurred by *Customer* concerning execution of his/its order, incorporating the charge of the venue of execution, charges for settlements, as well as charges of other persons involved in execution of the order. However, in individual cases the *Involved Company* reserves the right to determine that other execution factors severally or jointly are more important in specific circumstances for ensuring the best possible result.
- 2.3. The factor of liquidity is of material importance for transactions in promissory notes or other off-market instruments.
- 2.4. In case of financial instruments characterized by low liquidity, for example, financial instruments of emerging countries, more importance may be attributed to how fast the transaction is executed and whether an order may be executed in full.

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- 2.5. In cases where the amount of any order is commensurate with market liquidity, such order is executed after it is received as soon as possible.
- 2.6. In cases where the amount of *Customer's* order is considerably larger than the available market liquidity, or in cases where its impact on the market might be too substantial and execution of the transaction in full might have negative impact on *Customer's* result, *Bank* shall be entitled to execute such order in parts.

### 3. Criteria of Execution

- 3.1. The *Involved Company* shall make assessment and determine which of the above factors of execution are important for ensuring the best possible results for *Customer*. In order to determine importance of such factors for execution of the relevant order, the *Involved Company* shall make assessment of the following criteria in addition:
  - *Customer's* description (including *Customer's* status – private or professional);
  - type of *Customer's* order (including *Customer's* special instructions);
  - peculiarities of the financial instrument that is the subject of the order;
  - description of the venue where the transaction may be executed.

### 4. Trading Venues (Venues of Execution of Orders)

- 4.1. Trading venues where *Bank* plans to ensure the best possible result in execution of *Customer* orders continuously are included in the list of trading venues. *Bank* shall be entitled to use that are not on the list at its discretion as well.
- 4.2. Stocks, Exchange Traded Funds (ETF) or derivative financial instruments that are listed on the regulated market or Multilateral Trading Facility:
  - Bank's portfolio;
  - USA – American Stock Exchange;
  - USA – NASDAQ;
  - USA – New York Stock Exchange;
  - Estonia – OMX Tallinn Stock Exchange;
  - France – NYSE Euronext Paris Stock Exchange;
  - Russia – Russian Trading System (RTS);
  - Russia – Moscow Interbank Stock Exchange (MICEX);
  - Latvia – OMX Riga Stock Exchange;
  - Lithuania – OMX Vilnius Stock Exchange;
  - UK – London Stock Exchange;
  - Germany – Frankfurt Stock Exchange;
  - Germany – Xetra;
  - Sweden – OMX Stockholm Exchange
- 4.3. Debt securities:
  - Bank's portfolio;
  - Normally, transactions in debt securities are executed on the regulated market or Multilateral Trading Facilities.
- 4.4. The list of trading venues is available at our home page ([www.ab.lv](http://www.ab.lv), section "Brokerage services"). *Bank* reserves the right to revise it unilaterally at any time. *Customer* undertakes to examine such information before filing his/its application for every *Transaction* and to follow its changes independently. *Bank* reserves the right to use such trading venues that are not on the list as well, in order to ensure the best possible result, as well as in cases where it is impossible to execute the relevant order in trading venues that are on the list.

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- 4.5. *Bank* shall choose the best trading venue, taking into account the factors of execution, criteria of execution, as well as *Customer's* special instructions.
- 4.6. *Bank* may execute *Customer's* orders on the regulated market, Multilateral Trading Facility, off regulated market or Multilateral Trading Facility, by concluding transactions with a systemic internaliser or a different liquidity provider, including when transactions are concluded against *Bank's* own portfolio.
- 4.7. In order to ensure the best possible results for *Customer*, in cases where *Customer's* order for any transaction in financial instruments may be executed in more than one trading venue stated in *the Terms and Conditions for Orders*, *Bank* shall make assessment and comparison of results that may be achieved for *Customer* in every trading venue. *Bank* shall determine the charge for execution of the order so that unjustified discrimination of various trading venues should be prevented.
- 4.8. In cases where only one trading venue stated in the Terms and Conditions is available, comparison of prices that may be achieved is limited and execution of *Customer's* order in the relevant trading venue is considered to ensure the best possible results.
- 4.9. The factors and criteria of assessment taken into account by *Bank* in choosing a trading venue for execution of every individual order cannot be standardised or compared directly.
- 4.10. In most cases when orders are executed concerning financial instruments that are listed on the regulated market or Multilateral Trading Facility (e.g. stocks, standardised derivative financial instruments, ETF), a trading venue with top liquidity concerning such financial instrument is chosen.
- 4.11. Normally, orders concerning financial instruments that are primarily traded off the regulated market or Multilateral Trading Facility (e.g. debt securities, off-market stocks, money market instruments, derivatives of forex and debt securities) are executed at *Bank's* own expense or by concluding a transaction with an agent company in accordance with *Customer's* instructions.

## 5. Transferring Orders to Agency Companies

- 5.1. IBAS "AB.LV Capital Markets" accepts *Customer* orders and transfers them to the joint stock company "Aizkraukles banka" for execution.
- 5.2. In cases where a trading venue where relevant financial instruments are traded is not available to *Bank*, *Bank* shall be entitled to transfer the relevant order to an agent company, and the latter shall execute it in trading venues that are available to the same in accordance with its terms and conditions for orders. *Bank* shall use its best endeavours for an order transferred to agent companies to be executed as close to the best result as possible; however, it may not guarantee that this would be ensured for every order that is transferred this way. *Bank* shall make regular assessment of whether agency companies that orders are transferred to provide the best possible result for *Customer*.
- 5.3. In performing individual management of *Customer* financial instruments, IPAS "AB.LV Asset Management" shall forward orders to IBAS "AB.LV Capital Markets", which shall transfer them to the joint stock company "Aizkraukles banka" for execution.

## 6. Methods of Execution of Orders

- 6.1. *Bank* shall take measures to ensure fast and precise execution of *Customer's* orders. Comparable *Customer's* orders shall be executed in accordance with first-in-first-out principle, unless peculiarities of orders or current market conditions make it impossible to execute them or *Customer's* interests require a different action. Taking into account that different means of submitting orders are used in *Bank*, which require different processing procedures, the order of execution of *Customer* orders may differ from first-in-first-out principle. *Bank* reserves the right to execute orders in the order as it deems necessary in order to ensure the best possible result.
- 6.2. Unless any special instructions are received from *Customer*, *Bank* shall execute *Customer's* order in accordance with the following methods or their combination:
  - *Bank* shall execute an order on the regulated market or Multilateral Trading Facility. In cases where *Bank* has no direct access to the relevant trading venue, *Bank* shall place such order on the regulated market or Multilateral Trading Facility, using the services of agent companies with whom agreements on transfer of orders to the relevant market have been entered into.

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- *Bank* shall be entitled to execute *Customer's* orders in full or in parts beyond the regulated market or Multilateral Trading Facility against an order of different *Customer*, by performing transactions against financial instruments available in *Bank's* portfolio or by concluding a transaction with a systemic internaliser or a different liquidity provider on *Customer's* instruction. In execution of *Customer's* order at *Bank's* own expense, the price of such transaction shall be determined with available market prices of the relevant financial instruments, as well as costs related to the capital load, the business partner's risk, operational risk, etc. being taken into account.

### 7. Combining and Dividing Orders

- 7.1. *Bank* shall be entitled to combine *Customer's* order with any transaction at its own expense or different *Customer's* order. Orders shall be combined in cases where *Bank* believes that it may ensure a better result for *Customer* than in case of individual execution of the order. Orders may be combined where it is unlikely that such combination will be to the detriment of interests of *Customer* whose orders are being combined. However, it is also possible that combination of *Customer's* order with other orders may fail to ensure the best possible result, including causing losses concerning a specific order.
- 7.2. In cases where *Bank* has combined transactions at its own expense with one or more *Customer* orders, the former shall divide or re-divide the relevant transaction without any detriment to *Customer* interests. In cases where *Bank* combines *Customer* order with any transaction at its own expense and such combined order is executed in part, the former shall divide the relevant transactions in accordance with the following priority: first, in favour of *Customer*, and then – *Bank*. Income shall be divided on a pro rata basis in cases where *Bank* may prove appropriately that without such combination it would not have been able to execute such order on the relevant favourable conditions or would not have been able to execute it at all.
- 7.3. *Bank* shall ensure fair distribution of combined orders without any mutual discrimination of its *Customers*.
- 7.4. In cases where a combined order is executed in full, *Bank* shall divide it by the average price of execution. In cases where a combined order is executed in part, *Bank* shall divide such combined order in proportion to the amount of combined individual orders by the average price of execution. For division of combined order, *Bank* shall be entitled to apply other methods with a warning to *Customer* before the transaction is executed.

### 8. Faults in Operation of Markets and Systems

- 8.1. In cases of exceptional situations in the market, as well as in extraordinary situations, where breakdowns or faults (including as a result of breakdowns or faults of communication systems) impact on the trading venue, ability of the agency company or the *Involved Company* proper to execute *Customer's* orders, the *Involved Company* shall be entitled to withdraw from the *Terms and Conditions for Orders*. In such cases, the *Involved Company* shall be entitled to execute orders in other trading venues or else on the basis of other considerations than those set forth in these Terms and Conditions.
- 8.2. The *Involved Company* shall inform *Customers* about any significant difficulties concerning appropriate execution of an order and shall perform proportional and possible actions in order to ensure the best possible result for *Customer*.

### 9. Revision and Supervision of the Terms and Conditions

- 9.1. The *Involved Company* shall revise the *Terms and Conditions for Orders*, measures for execution of orders, the list of trading venues and agency companies orders are transferred to at least once a year or in case of substantial changes that impact on its ability to continue achieving the best possible result. The *Involved Company* shall supervise effectiveness of its measures for execution of orders and the *Terms and Conditions for Orders*, in order to identify any shortages and eliminate them as appropriate.
- 9.2. Amendments and alterations to the *Terms and Conditions for Orders* or the list of trading venues shall be announced at our home page [www.ab.lv](http://www.ab.lv) (section "Assets Management") and shall take effect on the date stated in such announcement.

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**Terms and Conditions for Orders for Financial Instruments Transactions****10. Exceptions in Application of the Terms and Conditions**

- 10.1. The above-mentioned sections of the *Terms and Conditions for Orders* shall not be applied:
- to orders of authorized business partners;
  - in cases where *Customer* has given special instructions concerning execution of his/its order;
  - in cases where *Bank* and *Customer* enter into a special agreement on the terms of any transaction, in execution of such order at *Bank's* expense (e.g. financing transactions, off-market financial instruments, money market instruments, forex derivative instruments, etc.).
- 10.2. An agreement on the terms of the transaction shall be entered into in cases where *Customer* agrees to any specific purchase or sale price determined by *Bank*. In case of a price for indication – where *Bank* approves a specific price and *Customer* agrees to it.