

Order Execution Policy for clients of the AS SEB banka - Summary

1. Introduction

This Order Execution Policy has been adopted in order to ensure that AS SEB banka ("SEB") delivers Best Execution to its clients when executing their orders or arranging transactions on their behalf. This document is a summary of the Policy, made available to Retail clients as required by the EU Commission's delegated regulation (EU) 2017/565 art 66 (9). The full version, incl. its appendices, is available at www.seb.lv/mifid.

Best Execution is the technical requirement imposed on SEB to take all sufficient steps in executing orders for or on behalf of its clients in order to obtain the best possible result for them, and to act in their best interests when passing their orders on to others for execution. However, there are circumstances under which SEB does not owe Best Execution - for example, where it is effectively acting as a market counterparty and/or assuming positional risk under a transaction. Notwithstanding this, irrespective of whether or not SEB is subject to a duty of Best Execution, it is always subject to an overriding duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

The Policy sets out the circumstances under which SEB will seek to deliver Best Execution, and the considerations which it will apply in delivering it in practice.

Except in cases where the client has specified in all respects how it wishes its order to be executed, SEB's staff will apply the considerations set out in the Policy as appears to be in the best interests of the client under the circumstances prevailing at the time. The processes set out herein are designed to ensure that SEB delivers Best Execution for its clients when required on a general and consistent basis. However, whilst every attempt will be made to achieve Best Execution for clients when required, this does not necessarily mean achieving the best price in each and every case, but rather the best price that can reasonably be expected given the information available during the execution process.

Retail Clients are those which are afforded the highest degree of protection under MiFID II – they are typically private individuals and small-scale businesses, or entities which have elected to be treated as such.

2. Scope

Geographies covered

The Policy applies whenever an SEB entity located in the European Economic Area provides a client or persons acting on behalf of a client with any covered service.

Financial Instruments covered

The Best Execution requirement applies to transactions (including derivative, packaged transactions) in a wide range of financial instruments, including transferable securities, money-market instruments, units in collective investment undertakings, different types of financial derivatives and emission allowances.

3. The Best Execution Framework

SEB has put in place policies and procedures which are designed to obtain the best possible result for its clients on a consistent basis in transactions to which Best Execution applies, taking into account certain factors, criteria and available execution venues, as follows, (further information on each of these topics is also given under 5 below).

Execution Factors

SEB will take into account a number of factors, including:

- the price available in markets and execution venues to which SEB has access;
- transaction costs, including venue execution charges and settlement costs;
- speed of execution;
- the likelihood of execution and settlement, as impacted by market liquidity;
- the size and nature of the transaction;
- risks to SEB arising from execution (including hedging and residual risk); and
- any other circumstances SEB considers relevant.

In transactions where SEB assumes an element of risk, whether executed internally or on a venue external to it, the price may include a spread which reflects, in addition to charges specifically agreed with a client, SEB's counterparty risk, market risk, hedging activity, assumption of credit and/or clearing risk and capital charges. These factors are inherent in SEB's business model, and are outside the scope of Best Execution, except where expressly stated.

Execution Criteria

In determining the weighting of each of the above Execution Factors relative to the others, SEB will take into account (in addition to any specific instructions which a client may give, for which see 5.3.1 below) the following:

- the client's characteristics, including its formal categorization;
- the type of transaction (including size and likely market impact);
- the financial instrument involved;
- the execution venues to which the transaction may be directed; and
- any other circumstances SEB considers relevant.

Execution Venues

SEB will typically execute transactions on the following types of venue:

- Regulated Markets and their non-EEA equivalents;
- Multilateral Trading Facilities (MTFs) and their non-EEA equivalents;
- Organized Trading Facilities (OTFs) and their non-EEA equivalents

- Systematic Internalisers (SIs) and their non-EEA equivalents;
- order crossing networks and other electronic platforms;
- orders from other clients of SEB;
- SEB's own sources of liquidity, where SEB will be the counterparty;
- other brokers and market makers; and
- venues available to other parts of SEB.

In executing client transactions, SEB's staff will select such venues as appear to them at the time to produce the best result for the client in accordance with this Policy, including (where appropriate and taking into account any potential conflicts of interest involved) executing against SEB itself.

Any client may request SEB to access or refrain from accessing specific venues or sources of liquidity in relation to a transaction, although SEB's ability to meet any request may vary according to the circumstances, and observing the client's request may limit the execution services SEB can offer or affect its ability to achieve Best Execution.

SEB will use reasonable endeavours not to discriminate unfairly between the execution venues selected. The criteria SEB uses to select the venues on which it considers doing business are described more fully at 6 below, and the main venues on which it executes transactions in each class of financial instrument are set out at www.seb.lv/mifid.

Execution Capacity

In executing client orders or entering into transactions on their behalf, SEB may act in any of the following capacities, except where specifically agreed otherwise:

- as agent;
- in a riskless principal capacity, in which simultaneously on entering into the transaction with the client, SEB enters into a matching transaction with an execution venue or a third party, including another client, thereby ensuring that SEB assumes no positional risk under the transaction, taking no profit or loss between the two elements other than the agreed commission, fee or charge; or
- as principal, taking the transaction onto its own books and assuming the positional risks that this generates.

Large transactions may be broken into smaller constituent parts, which may be effected in more than one of these capacities.

Where SEB acts in a principal capacity and is not subject to a duty of Best Execution, it may trade ahead or alongside of its client's transactions, for example to execute the transactions of other clients, to hedge or source liquidity for market making purposes, or to manage its risks. Such activity may impact the price received by the client.

4. Application of Best Execution

Retail Clients

SEB will afford its Retail Clients Best Execution, except in rare situations when they can be regarded as treating SEB as a market counterparty, as established under the Trading Relationship test set out below, and are thus not relying on SEB to protect their interests.

Trading Relationship Test

The EU Commission has established a relationship-based “four-fold test” which can be used to determine whether or not a client, whether Retail or Professional, is indeed legitimately relying on a firm in a specific transaction or in effect treating the firm as a market counterparty. SEB, in common with other investment firms, will take account of this test, the four elements of which are as follows:

- Who initiates the transaction. Where the client has made the initial approach, it is less likely to be seeking to rely on SEB than, for example, where SEB has specifically suggested the transaction to the client pursuant to a formal advisory mandate. In this context, clients should note that SEB typically distributes to large numbers of its clients research and/or trading ideas which explicitly or implicitly suggest potential transactions; where a transaction results directly from this, the distribution will not of itself be regarded as having “initiated” it for the purposes of the test, since the suggestion will not have been tailored to the specific circumstances of the client.
- The typical practice in the relevant market. In some markets, such as the OTC (over-the-counter) derivatives and bond markets, for example, clients can typically access various alternative sources available to them, obtaining quotes from several counterparties.
- The relative levels of transparency in the market.
- The information provided by the investment firm to the client and the contractual relationship between them will also be of relevance.

SEB’s staff will use the test to determine whether it is likely that the client is seeking to rely on SEB to protect its interests. The full details of these considerations are described in the Policy.

5. Providing Best Execution in practice

Where SEB seeks to achieve Best Execution for its Retail Clients, it will aim to do so in terms of the client’s total consideration - i.e. by optimizing both the price achieved and the expenses incurred directly in relation to the execution, such as execution venue fees, clearing and settlement fees, and any other fees paid to third parties in relation to the transaction. The other Execution Factors listed in the Policy will only be taken into account to the extent that they help SEB to achieve the best possible result for the client in terms of its total consideration.

Different Scenarios

Notwithstanding the above, there are certain scenarios which will define how SEB will execute transactions and have a bearing on Best Execution, which include the following.

Specific Client Instructions

Where a client provides SEB with a specific instruction on how all or part of its order should be executed, SEB will follow those instructions and as a consequence will be deemed to have provided Best Execution in relation to those aspects of the transaction covered by the instruction. However where the instruction does not cover all aspects of the transaction, SEB will apply the principles set out in this Policy to its remaining aspects.

Therefore, when a client provides SEB with a restrictive instruction, this may correspondingly affect its ability to observe the requirements of this Policy in full, and may result in a less good result for the client than would otherwise have been achieved.

The treatment of Orders

- Sub-division of orders: Unless otherwise agreed, SEB may split any order into one or more transactions to be executed separately, in series or in parallel, possibly on different venues; where Best Execution requirements apply, they will do so equally to each such execution, as well as to the overall transaction.
- Execution in sequence: SEB will generally execute client orders that are otherwise comparable in the sequence in which they were received, unless this is impractical due to the characteristics of the order, prevailing market conditions, or due to other factors. Where there are substantial difficulties in executing an order, SEB will make reasonable endeavours (but does not guarantee) to inform the client when the difficulties become apparent to it.
- Aggregation: SEB may aggregate any client's order with those from other clients or with transactions which it is arranging for its own account and may execute them together, although it will not do so if it is reasonably foreseeable at the time that this will operate to the overall detriment of the clients concerned.
- Allocation: Where the Bank aggregates a client's order as above, the combined trades will be allocated fairly between that client and the other parties whose interests have been aggregated. All parties involved will receive the same price, unless this is not possible due to specific conditions given by a client as regards the price. For such aggregated orders which have only partially been filled, the combined trades will be allocated between the parties in a fair and equitable manner, although clients will be prioritized over SEB when its own transactions are included in the aggregation.
- Time in force: Except where the period/length of time an order is to remain in force is explicit in the nature of the order, or where it is otherwise expressly agreed at the time the order is given, each order will be valid for the day on

which it is given, and will thereafter lapse. Orders for execution on a specific market that are received after the relevant market has closed will, in the absence of agreement to the contrary, remain in effect until the end of the following trading day on the relevant market.

Request for a Quote (RFQ) and executable prices

Where SEB agrees to provide a quote that is capable of immediate acceptance (as opposed to providing an indication of what might be achievable in the market), and irrespective of whether this is a two-way quote or only for a purchase or sale, then it will be acting as principal and will be assuming the full positional risk in the transaction. In all such circumstances SEB will regard itself as being the client's market counterparty, and will have no duty to provide Best Execution. Further details on RFQs are set in Policy.

OTC Derivative Transactions

When SEB provides a client with an OTC derivative price, it will typically be responding to an RFQ or will be in an analogous position, and, pursuant to the Trading Relationship Test, will not be subject to a duty of Best Execution.

Execution Venue / Counterparty selection

In contemplating the execution of client orders subject to the obligation of Best Execution and/or discretionary and asset management transactions, SEB will take into account conditions on the types of venue and/or third parties (which may include other parts of the SEB Group) that are available to it at the time, and will execute on one or more of them in order to achieve Best Execution pursuant to this Policy, taking into account any specific instructions the client has given.

SEB will exercise its discretion in choosing venues and third parties with which it will make arrangements to execute transactions, aiming to optimize its ability to achieve Best Execution pursuant to this Policy. In making this choice, it will take into account the relevant venue's or party's technical capabilities, typical prices, speed of execution, liquidity, ease of settlement and costs and charges, and will have regard to any public information which the relevant entity publishes periodically on the transactions arranged on or with them.

Costs

Trading in financial instruments will entail costs and charges for the client. The costs and charges related to individual instruments, orders and transaction types will be described in more detail on the relevant SEB website.

In general, the costs and charges for trading will include a transaction based fee in the form of a commissions or a margin when SEB is trading as principal. In addition to this, the client may be charged transaction and clearing fees in relation to certain markets. In the event that SEB also provides the client with custody receiving advisory or management fee may apply in addition.

Governance

SEB has put in place arrangements to monitor and periodically review the operation of the Policy.

A full review of this Policy and the arrangements put in place pursuant to it will be conducted at least annually, with the most recently updated version of the Policy being made available here at www.seb.lv/mifid.

Demonstration of Best Execution

If a client wishes to obtain a formal demonstration of how SEB has observed the procedures set out in this document in relation to one or more specific transactions, they should raise the issue with their usual SEB contact, making it clear that they require the explanation to be in writing.