

# Best execution policy

Effective from 18.06.2019

## Contents

<b>Responsible employees</b>	<b>2</b>
<b>1. Introduction</b>	<b>2</b>
<b>2. Scope</b>	<b>2</b>
<b>3. The Best Execution Framework</b>	<b>3</b>
<b>4. Application of Best Execution by Client Type</b>	<b>4</b>
<b>5. Providing Best Execution in practice</b>	<b>5</b>
<b>6. Execution Venue / Counterparty selection</b>	<b>7</b>
<b>7. Trading Suspension and System Failures</b>	<b>7</b>
<b>8. Off Premises Trading</b>	<b>7</b>
<b>9. Review of Policy</b>	<b>7</b>
<b>10. Demonstration of Best Execution</b>	<b>7</b>
<b>Schedule I</b>	<b>8</b>
<b>Appendix A: Equities</b>	<b>9</b>
<b>Appendix B: Bonds</b>	<b>11</b>
<b>Appendix C: Foreign Exchange (FX)</b>	<b>13</b>
<b>Appendix D: Fund Units</b>	<b>15</b>
<b>Appendix E: Investment Products</b>	<b>16</b>

## Responsible employees

Each head of division, business area and unit shall be responsible for adoption of such procedures and rules, which ensure that the respective business unit complies with the best execution rules when executing, handling or transmitting the client's orders.

### 1. Introduction

- 1.1 This Best Execution Policy has been adopted in order to ensure that AS SEB Pank, ("SEB"), delivers Best Execution to its clients when executing their orders or arranging transactions on their behalf, as and when required to do so by Article 27 of the Markets in Financial Instruments Directive 2014/65/EU, local legislation enacted pursuant to it in the relevant jurisdictions, and the accompanying Delegated Regulation 2017/576 (together "MiFID II").
- 1.2 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 acts always honestly, fairly and professionally in accordance with the best interests of its clients.
- 1.3 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. It comprises both principles which will apply generally, and Product Appendices.
- 1.4 Except in cases where the client has specified in all respects how it wishes its order to be executed, SEB 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. 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.
- 1.5 This Policy and other documents relevant to SEB's Best Execution practice are updated from time to time, and the current versions can be found on SEB's website (at <https://www.seb.ee/eng/investor-protection>).
- 1.6 By entering into transactions with SEB or giving it discretion to arrange them on their behalf, clients will be deemed to have accepted the terms of this Policy.
- 1.7 **Definitions**

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

*Professional Clients* are those which meet certain thresholds laid down in MiFID II in terms of size, transactional frequency and/or financial experience. Professional Clients are afforded slightly less protection under MiFID II, and they are typically large-scale businesses or those active in financial services, or entities which have elected to be treated as such.

*Eligible Counterparties* are afforded the lowest level of protection under MiFID II. Eligible Counterparties are typically regulated wholesale financial service businesses.

Other technical terms used in this Policy, such as Regulated Market, Systematic Internaliser, OTC Transaction etc., have the meanings ascribed to them under MiFID II.

## 2. Scope

### 2.1 Clients covered

The Policy applies to both Retail and Professional clients of SEB, but not to Eligible Counterpartie, unless SEB has specifically agreed to provide them with Best Execution under exceptional circumstances.

All clients have been informed of their Client classification.

### 2.2 Financial Instruments covered

The Best Execution requirement applies to transactions (including derivative, packaged and "repo" 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. The full list of such instruments is set out in Schedule 1.

"Spot" transactions in F/X and commodities are not regarded as "financial instruments", nor are loan agreements and deposits – and they are therefore not subject to any obligation of Best Execution.

## 2.3 Services covered

This Order Execution Policy applies where SEB provides the following services:

- execution of orders on behalf of clients;
- reception and transmission of client orders;
- portfolio management.

## 2.4 Overriding duty to act fairly

Irrespective of whether a specific transaction is covered by this Policy, SEB has an overriding duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

# 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).

## 3.1 Execution Factors

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

- the **price** available for execution;
- **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. Further details are provided in the relevant Product Appendices.

## 3.2 Execution Criteria

In determining the weighting of each of the above Execution Factors relative to the others, SEB will take into account the following:

- the client's characteristics, including its formal categorisation;
- 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.

## 3.3 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;
- Organised 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.

SEB is a member of different regulated markets and MTFs and SEB may in addition transmit Orders and execute transactions in the name of SEB with the purpose of market making on the Nasdaq Baltic Stock Exchanges.

In executing client transactions, SEB 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, whether acting as a Systematic Internaliser or in another principal capacity. Client transactions may therefore be filled by execution outside a Regulated Market, Multilateral Trading Facility or Organised Trading Facility – and SEB will have asked its clients to consent to this under the client agreement.

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 at 6 below, and the main venues on which it executes transactions in each class of financial instrument are set out at <https://www.seb.ee/eng/investor-protection>.

Note, however, that SEB may execute client Orders on venues other than those on the list when it considers that this is appropriate in the light of the circumstances at the time and unlikely to produce a worse overall result for the client.

### 3.4 Execution Capacity

In executing client orders SEB acts in any of the following capacities, except where specifically agreed otherwise:

- as agent, in its own name and on behalf of client;
- 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 by Client Type

### 4.1 Retail Clients

SEB will afford its Retail Clients Best Execution, except in 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.

### 4.2 Professional Clients

SEB will afford its professional Clients Best Execution.

Where SEB acts in principal capacity, thereby assuming positional risk under the transaction, the question of whether SEB owes a Best Execution obligation will depend on whether the client is relying on it to protect their interests, or can legitimately be regarded as treating it as their market counterparty.

### 4.3 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 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. Under these circumstances, it is less likely that the client will be seeking to rely on SEB to protect its interests.
- *The relative levels of transparency in the market.* In many instances, a client approaching SEB will have as good a view of market conditions as SEB itself - or an even better one in cases where other market participants are happy to disclose information to their clients, but not to their competitors. In these circumstances the client is unlikely to be relying on SEB.
- *The information provided by the investment firm to the client and the contractual relationship between them* will also be of relevance: where they stipulate circumstances under which SEB will not owe a duty of Best Execution, it is less likely that the client will be relying on SEB under such circumstances.

Except where the question is otherwise specifically agreed between SEB and a client, SEB will use their reasonable judgement in good faith to apply the above principles in determining whether or not the client is seeking to rely on SEB in particular circumstances. Where none of the four elements of the test indicate that it is, SEB will assume that the client regards it as their market counterparty, and will thus not observe the formal Best Execution requirements - whilst nevertheless continuing to act honestly, fairly and professionally in accordance with the client's best interests.

In general, where SEB has discretion over how certain aspects of a transaction are executed, then it is more likely that it will owe a duty of Best Execution.

For the avoidance of doubt, where SEB provide portfolio management services and executes orders itself, it will always afford its clients Best Execution. Where SEB submits such order to other entities, SEB will, pursuant to and in accordance with policies mentioned in 2.4 (*services covered*), require that any entity to which it forwards its clients' transactions for execution (whether this is another part of SEB or an external entity) does likewise.

## 5. Providing Best Execution in practice

### 5.1 Retail Clients – total consideration

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 optimising 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 at 3.1 and 3.2 above 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.

### 5.2 Professional Clients

Where SEB seeks to achieve Best Execution for its Professional Clients, it will take into account all of the Execution Factors and Execution Criteria listed at 3.1 and 3.2 above respectively, and then seek to execute the transaction on the execution venue that demonstrates the best price at the time. In normal circumstances, the prevailing price of the financial instrument will be the most significant factor; however, there will frequently be other, potentially conflicting factors to be taken into account, such as maintaining confidentiality and minimizing the price impact when executing a large transaction, optimizing the result in illiquid markets, or achieving speedy execution in rapidly moving markets. In such circumstances, SEB will use their reasonable judgment and experience to execute the transaction in a manner which can be expected to achieve the optimum overall result for the client under the circumstances.

### 5.3 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.

#### 5.3.1 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. Such instructions include order types which dictate the transaction's timing (e.g. “open”, “close” or “stop” orders) or its target price (e.g. target benchmark orders such as “VWAP”). 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.**

SEB will always be prepared to discuss with a client on request the merits of any specific instruction which it may wish to give or have given, and will not seek to guide the client towards an instruction that could reasonably be expected to be against the client's interests. However, except where specifically asked to address the question, SEB cannot guarantee to bring to a client's attention the fact that an instruction a client has given may be against its best interests.

Orders which are specified as "at market" or "at best" will be always be afforded Best Execution unless circumstances make this impracticable, in which case SEB will make reasonable efforts to discuss the matter with the client.

#### 5.3.2. 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. The purpose of such aggregation is to achieve the best possible result for the client through facilitating the handling of Order volumes and/or obtaining the best conditions on the market, however it does not give any guarantee that on certain occasions the aggregation may not work to the client's disadvantage in relation to a particular Order. If the decision on aggregating the client's Order with other Orders has already been made, the aggregated Orders may not be separated anymore, except for, if this is clearly for the client's benefit.
- *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.
- *Unexecuted limit orders:* Where a client places a limit order in Equities admitted to trading on an EEA regulated market, SEB is required to publish in the market the unexercised portion of that order unless the client has consented otherwise. SEB will have asked its clients in the relevant agreements to consent to this as part of the standard client documentation, and will therefore not publish such information unless specifically requested to do so.

If a decision concerning aggregation or allocation of a trade is not in line with the rules stipulated in this Policy, the SEB Compliance Officer shall be notified thereof.

#### 5.3.3. 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. The price which SEB quotes may be different from those prevailing in the markets, and it is up to the client to decide whether or not to accept it. In all such circumstances SEB will regard itself as being the client's market counterparty, and will have no duty to provide Best Execution.

SEB's quotes remain open for acceptance for a limited time period – where this period is not expressly stated when the quote is given or otherwise, SEB will endeavor to inform the client when it is about to expire, but does not guarantee to do so. Where a client seeks to accept a quote after such a time limit has expired, SEB has the right to accept the transaction or may also reject it.

#### 5.3.4. 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. However, where certain aspects of the transaction (such as the strike price) depend upon a market reference price, SEB will provide Best Execution in applying this reference. Equally, where a derivative price is partially dependent upon a hedge which SEB enters into with third parties specifically in order to effect the transaction, SEB will consider this hedge to be subject to Best Execution, since the client will be relying on it to protect their interests in such circumstances.

## 6. 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) listed at 3.3 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.

As part of its standard client documentation process in certain relevant product areas, SEB will have sought the client's permission to execute their orders outside a Regulated Market, MTF or OTF, and, where such approval has been obtained, (assuming that they consented) SEB reserves the right to arrange all or part of their order by executing internally against the orders of other clients or SEB's own positions. SEB will periodically publish aggregate data of such business, which can be accessed here at <https://www.seb.ee/eng/investor-protection>.

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. The list of the main venues on which SEB executes transactions in each class of financial instrument is set out at <https://www.seb.ee/eng/investor-protection>.

## 7. Trading Suspension and System Failures

In certain cases, whether as a result of trading suspensions, cancellation of transactions by the execution venue, disrupted markets, system failures or otherwise, SEB may decide that it is in a client's best interests to execute or transmit its Order using means different to that normally used for the Order in question. In such cases, SEB will take all reasonable steps to achieve the best possible overall result for the client under the prevailing circumstances.

If the events referred to above result in suspension of trading, SEB will make reasonable efforts to contact the clients whose Orders have not yet been executed in Order to obtain additional instructions. If SEB is unable to obtain such instructions, it will take all actions that are to be in the best interest of the client, and the client will be bound by the result.

Where a market operator cancels or amends trades executed on its market, SEB and its clients will be bound by such steps, even if SEB has in the meantime confirmed that the transaction has been executed. SEB will take all actions to inform the client immediately of such circumstances, except if the circumstances do not permit such notification of the client.

## 8. Off Premises Trading

SEB does not accept orders not transfer orders for execution off SEB premises.

## 9. Review of Policy

SEB may amend the Policy from time to time. The policy, list of execution venues and list of third party brokers are reviewed to ensure best possible result for SEB clients. A full review of this Policy and the arrangements put in place pursuant to it will be conducted as needed but at least annually. All updates will be made available at <https://www.seb.ee/eng/investor-protection>. Any changes and updates will take effect from the day following the day they are published on the website.

## 10. 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 either raise the issue with their usual SEB contact, making it clear that they require the explanation to be in writing.

## Schedule I

### List of financial instruments covered

(as defined in 'DIRECTIVE 2014/65/EU, ANNEX I, LISTS OF SERVICES AND ACTIVITIES AND FINANCIAL INSTRUMENTS, SECTION C, Financial instruments')

- (1) Transferable securities;
- (2) Money-market instruments;
- (3) Units in collective investment undertakings;
- (4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- (5) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
- (6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
- (7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
- (8) Derivative instruments for the transfer of credit risk;
- (9) Financial contracts for differences;
- (10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;
- (11) Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

## Appendix A: Equities

### Products in scope:

- Shares
- Exchange Traded Funds (ETFs)
- Depositary Receipts
- Certificates
- Other equity-like financial instruments

### 1. Introduction

This appendix provides further details and an overview of the order- and quote-handling process, as well as when and how SEB will provide Best Execution, in relation to transactions executed for the products shown above.

The appendix should be read in conjunction with the overarching Best Execution Policy for SEB (the "Policy").

SEB may execute trades as agent or as principal. In cases where SEB acts as principal, it is important for the client to note that SEB may rely on the Trading Relationship Test, as described in the Policy section 4.3. When indicated by the Trading Relationship Test, SEB will assume that the client regards it as their market counterparty, as a result of which SEB will not observe the formal Best Execution requirements.

Other Exchange Traded Products that are derivatively priced (including Exchange Traded Notes) are covered by Appendix E.

### 2. The order/quote handling process

Clients may elect to transact with SEB either by giving an order to trade, or by a Request For Quote (RFQ). In the latter case, SEB will provide a price which the client may accept or not.

Retail Clients will trade via approved SEB channels and the orders will be routed for execution to the trading venue.

Where SEB is not member or participant of the trading venue on which a financial instrument is traded, it may use other investment firms to execute its client's orders, i.e. transmit the client's order to a third party for execution with SEB as agent.

When SEB provides the investment service "execution of order on client behalf", it acts to conclude agreements to buy or sell financial instruments on behalf of its client. This is for instance the case where SEB is a member of a trading venue and executes the order in its own name on behalf of a client, or when it receives the client order and passes it on to another firm for execution.

SEB may execute orders directly on a trading venue (Regulated Market or a Multi-lateral Trading Facility). For those markets SEB is not a member, SEB may trade indirectly through a third party investment firm (e.g. broker) which is member on such venue.

SEB may also execute orders outside a trading venue, if SEB has the client's express consent. SEB may execute an order, outside a trading venue, in the capacity as Systematic Internaliser. A systematic Internaliser (SI) is a firm which "on an organised, frequent and substantial basis" deals on own account when executing client orders outside a trading venue. When SEB execute client orders outside a trading venue, the trade is reported to an Approved Publication Arrangement (APA).

### 3. How SEB applies Best Execution

In those cases where the Trading Relationship Test or other circumstances dictate that SEB owes a duty of Best Execution pursuant to the Policy, the following considerations will apply.

Where transaction prices are published on a relevant market, SEB will normally judge Best Execution in relation to them.

The following factors and the relative importance given to them are indicated below in the order of relative priority which will be typically given to them. A variety of criteria will be taken into account in assessing their prioritisation as the circumstances dictate in relation to each specific transaction.

- **Price** will normally be the most important factor, although it will depend on the type of order. For aggressive orders price will always have precedence, while it for passive orders will be of minor importance.
- Order **depth in the market** will have minor importance for passive orders, but be of medium importance for aggressive orders.
- **Traded volume** will have no importance in relation to aggressive orders, but will be of major importance for passive orders.

- **Latency** (delays in communication to execution venues) will be of major importance to aggressive orders, but of minor importance to passive orders.
- **Transaction costs** (external fees) will always be subordinate to price, but will be of medium importance for aggressive orders, and no importance for passive orders.
- **Venue type** will be of medium importance for aggressive orders, but of no importance for passive orders.

A *passive order* is an order that *adds* liquidity to the order book (a buy-order with price lower than the best ask or an sell-order with price higher than the best bid).

An *aggressive order* is an order that *removes* liquidity from the order book (a buy-order with price equal, or higher, than the best ask or an sell-order with price equal, or lower than the best bid).

## Appendix B: Bonds

### Products in scope:

- bonds and other interest-bearing or discounted debt instruments;
- IRS.

### 1. Introduction

This appendix provides further details and an overview of the order- and quote-handling process (request for quote), as well as when and how SEB will provide Best Execution in relation to transactions executed for the products shown above.

The appendix should be read in conjunction with the overarching Best Execution Policy for clients of the SEB (the "Policy").

SEB may execute trades as agent or as principal. In cases where SEB acts as principal, it is important for the client to note that SEB may rely on the Trading Relationship Test as described in the Policy section 4.3. When indicated by the Test, SEB will assume that the client regards it as their market counterparty, as a result of which SEB will not observe the formal Best Execution requirements.

### 2. The order/quote handling process

Clients may elect to transact with SEB either by giving an order to trade, or by a Request For Quote (RFQ). In the latter case, SEB will provide a price which the client may accept or not.

Clients will trade via approved SEB channels.

Trades are executed OTC, dealer-to-dealer or dealer-to-investor. This means that there is no central record of all of the transaction prices in the relevant market. Furthermore, the sheer volume of issues outstanding means that some securities may not trade for days, weeks or even months at a time. Under these circumstances, it is less easy to establish precisely what the fair price for a given security is.

If SEB acts as principal on a risk price transaction and thus assumes risk in relation to a transaction it has entered into with a client, it does not consider (unless explicitly agreed otherwise) that it owes the client Best Execution, pursuant to the Trading Relationship Test.

The price offered to the client in such cases may include a spread or a mark-up which reflects SEB's counterparty risk, market risk, liquidity risk and regulatory capital requirements, amongst other things. The spread or price in such cases will also reflect the creditworthiness of the issuer.

SEB may execute trades in the trading venue (regulated market or multilateral trading facility). SEB will access trading venues where SEB is not a member via third party investment firms (broker), who is member of such trading venue.

Where transaction prices are published on a relevant market, SEB will normally judge Best Execution in relation to them.

### 3. How SEB applies Best Execution

In those cases where the Trading Relationship Test or other circumstances dictate that SEB owes a duty of Best Execution pursuant to the Policy, the following considerations will apply.

As there are few external execution venues, such as regulated markets, on which SEB may execute transactions in the relevant securities at a set price, SEB may execute trades against SEB's own book based on a price or spread offered to the client. This price may not be comparable with other prices available at the time because it will be dependent on the following factors and the relative importance given to them in each case. Whilst these are indicated below in the order of relative priority which will be typically given to them, a variety of criteria will be taken into account in assessing their prioritisation as the circumstances dictate in relation to each specific transaction.

- **Price** will normally be the most important factor, although it will depend on each of the market risk (a higher rating will result in a smaller spread, and thus a better price), SEB's exposure to similar instruments and the regulatory capital requirements that it must comply with.;
- **Speed of execution;**
- **Size and nature of the order** (which may affect the price, depending on the circumstances);
- **Likelihood of execution** (potentially more important than price in an illiquid market) and settlement;
- **Likely market impact** (may affect the way SEB executes, as a block or by partial execution);
- **Transaction costs and risks** relevant to the execution;

- Nature of the **market for the financial instrument** (market practice for the relevant instrument); and
- Any other consideration deemed relevant to the execution of an order, such as whether the instrument has a floating or fixed interest rate.

In order to determine the relative importance of these Execution Factors, SEB will also take into account the characteristics of:

- **The client**, including its categorisation and counterparty risk according to SEB's internal risk-scoring of clients (the better the risk score, the lower the add-on or spread)
- The **circumstances behind the client's order** (eg. whether it has issued an RFQ);
- The **financial instruments** that are the subject of the client order (the liquidity for the relevant instrument); and
- The **execution venues** to which the client order can be directed.

## Appendix C: Foreign Exchange (FX)

### Products in scope:

- FX Forwards
- FX Swaps
- FX Options

### 1. Introduction

This appendix provides further details and an overview of the order- and quote-handling process, as well as when and how SEB will provide Best Execution, in relation to transactions executed for the products shown above.

The appendix should be read in conjunction with the overarching Best Execution Policy for Clients of SEB (the “Policy”).

SEB may execute trades as agent or as principal. In cases where SEB acts as principal it is important for the client to note that SEB may rely on the Trading Relationship Test as described in the Policy section 4.3. When indicated by the Test, SEB will assume that the client regards it as their market counterparty, as a result of which SEB will not observe the formal Best Execution requirements.

### 2. The order/quote handling process

Clients may elect to transact with SEB either by giving an order to trade, or by a Request For Quote (RFQ). In the latter case, SEB will provide a price which the client may accept or not.

Clients will normally trade via approved SEB channels.

In case of RFQ:

- Quotes maybe customised according to SEB’s understanding of the client’s needs.
- Customisation may affect the form of currency pair, price, size & frequency of update.
- All orders will be handled in a fair and consistent manner according to execution factors noted below.

In order to achieve an accurate picture of market liquidity data quotes are derived from a selection of internal and external market data sources.

Note that where SEB acts as principal on a risk price transaction and thus assumes risk in relation to a transaction it has entered into with a client, it does not consider (unless explicitly agreed otherwise) that it owes the client Best Execution, pursuant to the Trading Relationship Test. The price offered to the client in such cases may include a spread or mark-up which reflects SEB’s counterparty risk, market risk, liquidity risk and regulatory capital requirements, amongst other things. The spread or price in such cases will also reflect the creditworthiness of the client.

Where transaction prices are published on a relevant market SEB will normally judge best execution in relation to them.

### 3. How SEB applies Best Execution

In those cases where the Trading Relationship Test or other circumstances dictate that SEB owes a duty of Best Execution pursuant to the Policy, the following considerations will apply.

As there are few external execution venues, such as regulated markets, on which SEB may execute transactions in currency on the client’s behalf at a set price, most trades will be executed against SEB’s own book based on a price or spread offered to the client. This price, may not be comparable with other prices available at the time because it will be dependant on the following factors and the relative importance given to them in each case. Whilst these are indicated below in the order of relative priority which will be typically given to them, a variety of criteria will be taken into account in assessing their prioritisation as the circumstances dictate in relation to each specific transaction.

- **Price** - will normally be the most important factor, but it will depend on each of the market risk, SEB’s exposure to similar instruments and the regulatory capital requirements that it must comply with;
- **Transaction costs and risks** relevant to the execution;
- **Speed of execution**;
- **Likelihood of execution** (potentially more important than price in an illiquid market) and settlement;
- **Size and nature** of the order;
- The likely **market impact**;
- The **nature of the market** for the financial instrument; and
- Any other consideration deemed relevant to the execution of an order.

In order to determine the relative importance of the Execution Factors, SEB will also take into account these characteristics of:

- The **client**, including its categorisation and counterparty risk according to SEB's internal risk scoring of clients (the better the risk score, the lower the add-on or spread);
- The **circumstances behind the client's order** (eg. whether it has issued an RFQ);
- The **financial instruments that are the subject** of the client order (the liquidity for the relevant instrument); and
- The **execution venues** to which the client order can be directed.

SEB trades as principal at prices which are independent of any particular benchmark or fixes unless specifically agreed the price given to the client will reflect the underlying FX price and a margin to reflect SEB's risks and cost of capital etc. as stated above.

## Appendix D: Fund Units

### Products in scope:

- Undertakings for Collective Investment in Transferable Securities (UCITS)
- Alternative Investment Funds (AIF)
- Other collective investment undertaking of open-ended type

### 1. Introduction

This appendix provides further details and an overview when and how SEB will provide Best Execution in relation to transactions executed for the products shown above.

The appendix should be read in conjunction with the overarching Best Execution Policy for Clients of SEB (the "Policy").

### 2. The order/quote handling process

Clients may transact with SEB either by giving an order to trade or responding to recommendation from SEB or through portfolio management agreements.

The clients submit instructions via SEB approved channels.

Each order and its settlement instructions will be subject to several controls such as balance checks, validation etc before sending the order to relevant fund provider. If and when an order is accepted by SEB it will be executed as soon as possible by sending the order to the relevant fund provider (a fund management company directly or through an intermediary, to the fund management company (or equivalent) responsible for administering the fund in question). Once the fund provider has processed the order, the details will be confirmed back to SEB directly or via third party, which will arrange for settlement

### 3. How SEB applies Best Execution

All orders will be executed properly within the relevant cut-off times set by SEB. These cut-off times may be different from those set by the individual fund managers. Execution price will however be the prices set by the individual fund management company, given that they are received in time for this. In the absence of agreement otherwise, the order will thus be filled at the Net Asset Value (NAV) set by the relevant fund manager for the day in question. Orders received or registered by the fund manager after the cut-off will usually be executed at next day's NAV.

## Appendix E: Investment Products

### Products in scope:

- Exchange Traded Products (ETPs)
- Exchange Traded Notes (ETNs), whether listed or not) both of which are often also described also as structured products
- Other products within the SEB Structured Product Group.

### 1. Introduction

This appendix provides further details and an overview of the order- and quote-handling process as well as when and how SEB will provide Best Execution in relation to transactions executed for the products shown above.

The appendix should be read in conjunction with the overarching Best Execution Policy for Clients in SEB (the “Policy”).

In addition to the Policy and this appendix, the issuer of the products concerned will normally issue additional documentation that further describes the product’s specifications, pricing and trading.

SEB may execute trades as agent or as principal. In cases where SEB acts as principal it is important for the client to note that SEB may rely on the Trading Relationship Test as described in the Policy section 4.3. When indicated by the Test, SEB will assume that the client regards it as their market counterparty, as a result of which SEB will not observe the formal Best Execution requirements.

ETPs are securities that are derivatively priced and trade intra-day on a national securities exchange at a price based on the prices of other investment instruments, such as a commodity, a currency, a share price or an interest rate. ETPs include, inter alia, ETNs and ETFs (Exchange Traded Funds), although ETF’s are not covered in this Appendix, but in Appendix A.

ETNs are often defined as a type of unsecured, unsubordinated debt security (bond) based on the performance of a market index minus applicable fees, with no period coupon payments distributed and no principal protections – although they may also have periodic coupons and be priced relative to one or more individual shares. They may also be principal protected. ETNs are often listed on regulated markets, but are traded OTC with reporting obligations to the relevant market. Non-listed ETNs are not subject to such reporting obligations.

### 2. The order/quote handling process

Clients may elect to transact with SEB by giving an order to trade or by issuing a Request For Quote (RFQ). In the latter case, SEB will provide a price which the client may accept or not.

Clients will normally trade via approved SEB channels.

Clients may trade either in the primary market (where the issuer either distributes the product via a public offer or a private placement) or in the secondary market following the issue date of the product.

Note that where SEB acts as principal on a risk price transaction and thus assumes risk in relation to a transaction it has entered into with a client, it does not consider (unless explicitly agreed otherwise) that it owes the client Best Execution, pursuant to the Trading Relationship Test. Thus the price offered to the client in such transactions may include a spread or mark-up which reflects SEB’s counterparty risk, market risk, liquidity risk and regulatory capital requirements. The spread or price in such cases will also reflect the credit worthiness of the issuer.

Where transaction prices are published on a relevant market, SEB will normally judge best execution in relation to them.

### 3. How SEB applies Best Execution

In those cases where the Trading Relationship Test or other circumstances dictate that SEB owes a duty of Best Execution pursuant to the Policy, the following considerations will apply.

The execution factors listed below are taken into consideration for all trading, although their relative weight may vary according to the product traded and the underlying liquidity of the instruments involved.

The price offered to the client or the price at which SEB has executed a transaction for the client may not be comparable with other prices available at the time because it will be dependent on the following factors and the relative importance given to them in each case. Whilst these are indicated below in the order of relative priority which will typically be given to them, a variety of criteria will be taken into account in assessing their prioritisation as the circumstances dictate in relation to each specific transaction.

In the secondary market, trades will be executed as buy-backs or offers by SEB with either the client or third party distributor.

Trades are executed OTC, which means that there is no central record of all of the transaction prices in these products. Furthermore, the sheer volume of issues outstanding means that some products may not trade for days, weeks or even months at a time. Under these circumstances, it is less easy to establish precisely what a fair price for a transaction in a given security is.

- **Price** will normally be the most important factor, and for transactions in the primary market this will be fixed by the issuer. Where SEB is the issuer, the price includes transaction costs and SEB's funding costs, as well as the cost for the derivative side of the product. The derivative will normally be bought from other market participants based on a best price basis. For transactions in the secondary market for which there are published prices, SEB will normally judge best execution in relation to this;
- **After sales service**, the potential unwinding price, valuation and collateral costs;
- The **nature of the market** for the financial instrument (market practice for the relevant instrument);
- **Speed** of execution;
- The **likelihood of execution and settlement** (potentially more important than price in an illiquid market);
- **Likely market impact** (may affect the way SEB executes, as a block or by partial execution); and
- Any other consideration deemed relevant to the execution of an order.

In order to determine the relative importance of these Execution Factors, SEB will also take into account the characteristics of:

- The **client**, including its categorisation and counterparty risk according to SEB's internal risk-scoring of clients (the better the risk score, the lower the add-on or spread);
- The **circumstances behind the client's order** (eg. whether it has issued an RFQ);
- The **financial instruments** that are the subject of the client order (the liquidity for the relevant instrument); and
- The **execution venues** to which the client order can be directed.