

## **Order execution Policy of Raiffeisen Bank S.A for Retail and Professional clients**

The order execution policy („Execution policy”) sets the terms and conditions in which the Bank executes the orders/ responds to the request-for-quotes received from the clients with the purpose to obtain the best possible result („Best execution”). The Execution Policy is drafted in accordance with the provisions of the EU Directive regarding markets in financial instruments (EU Directive 65/2014/EU, „MIFID II”) transposed via the Law 126/201058 regarding the markets of financial instruments and with the local and European regulations issued in their application (provisions referred to herein as „MiFID II Legal package”) and reveals the way Raiffeisen Bank implements the best execution principal in executing the clients orders / requests-for-quotes.

The Execution Policy for orders / requests-for-quotes regulates the execution of orders/offer of quotations to clients for buying and selling derivative financial instruments, T-bills and bonds. The order execution policy specifically contains the quality parameters defined by the bank for assessing the response to the clients' orders/ request for quotes, as well as, for each type of financial instrument offered by the Bank, the execution venues where the orders/ request-for-quotes from the clients are regularly executed/ responded by Raiffeisen Bank.

The Execution Policy is an integral part of the terms and conditions the Bank provides the financial investment services, as provided in the agreement concluded with each client. According to the provisions of the MiFID II Legal package, the bank obtains the clients' consent regarding the present Execution Policy via the signature of the agreement related to the services provided. In case the Client disagrees with the present Execution Policy, the Clients shall inform the bank in writing regarding his/her refusal to express his/her consent. In case the Client refuses to grant his/her consent with regards to the execution policy, the Bank may refuse to respond to the Clients' orders / requests for quotes and unilaterally terminate the agreement concluded with the Client.

Any update to the **Order execution policy** shall be made available to the Client via the Bank's website at <https://www.raiffeisen.ro/despre-noi/guvernanta-corporativa/mifid/>, while, at the express request from the Client, by delivery to the e-mail address of the Client or in a printed form within the Bank's units. Unless otherwise stated, the amended version of the Order execution policy shall come into force effective the date of publication on the Bank's website.

### **The applicability area of the Execution Policy**

The Execution Policy applies to the Retail and Professional clients, as defined within the MiFID II legal package, who benefits from at least one of the following financial investment services:

- Execution of orders in the clients account;
- Receiving and transmitting of orders regarding one or more financial instruments;
- Receiving / trading based on requests for quotes.

The present Execution Policy does not apply to the clients classified as eligible counterparties, as defined within the MiFID II legal package. In case the present policy is delivered to such type of clients, this will not compelled the Bank but it is made for information purposes only.

The financial instruments subject to the present Execution Policy include:

- a) Money market instruments (investment products with up to 1 year maturity as T-bills)

- b) Securities consisting of government, municipal or corporate bonds;
- c) Derivative financial instruments with currency underlying;
- d) Undertaking collective investments in transferable securities: UCITS

The instruments described at a-c above are traded on an execution venue.

### **Best execution**

The best execution will be ensured by taking all the necessary measures in order to achieve the best possible result for its Clients when the Bank responds to the Clients orders or request for quotes given the below mentioned factors and considerations.

In case the Client places an order-specific instruction, the Bank will execute the order / will respond to the request for quote in accordance with the instruction given. However, in doing so, the Bank may be forced to diverge from its Execution Policy in order to achieve the best possible result for its Clients.

**The Bank warns its Clients that any specific instructions received may prevent it to observe the criteria established and implemented in its execution policy with the purpose to obtain the best possible result in executing the orders/ responding to their request for quotes.**

Irrespective of any legal obligation, the bank will maintain the high integrity and correctness standard when executing the Clients' orders/ responding to their request for quotes, in order to protect the client's best interest.

The Client may request the Bank, in writing, to furnish proofs regarding the execution of orders / responding to the request for quotes in compliance with the Execution Policy, the Bank having thus the obligation to provide such explanations to the Client via a letter or e-mail message.

### **Exceptions from "Best execution"**

The best execution basis is not applicable in the following cases:

- In case the Client requests the Bank and receives from Raiffeisen Bank a firm trading offer;
- In case the Client places an order-specific instruction, the Bank being thus bound to execute the order as per the Client's instruction.

### **Considerations for assuring the best execution**

In view of obtaining the best result in executing the Clients' orders or responding to their request for quotes (RFQs). The Bank will consider the price as main factor on condition of maintaining the trading commission at an optimum level corresponding to the traded volumes and the costs generated by the execution of transactions.

From the execution point of view, an order is assessed based on this parameter which reflects the expectations and interest of the Client.

In regards to the derivative trading instruments which are not traded on a regulated market, we point out that the final price or the rate of such a derivative contract depends, among others, by the credit rating of the customer (with impact on the credit value adjustment, CVA). Hence, same financial product offered to two different customers with different CVA will have two different final prices. Same approach is valid also in case a client addresses to two different intermediaries asking for a quote for the same product, namely the CVA related to the client will depend on the portfolio the client has with each of the two intermediaries. As an example, if a new trade will generate a reduced general risk of the portfolio held with an intermediary, but not upon his/her portfolio with the other intermediary, the CVA factor will be lower from the point of view of the first one.

Consequently, the best execution for derivatives in terms of price means the assessment of the net price paid by the Client including all specific costs for the respective client, according to his/her credit risk assessment, his/her portfolio of such financial instruments held with the Bank, the level of collateral transferred by the client (portfolio collateralization), etc.

For both Retail and Professional Clients, the assurance of the best result will base exclusively on the fairness of price (respectively the quote or the rate).

### **Execution venues and intermediaries**

The bank does not access simultaneously all the execution venues where a specific financial instrument is traded. The Bank access for the execution of orders / response to the request for quote a single execution venue following a technical and economic assessment based a certain selection criteria which include, without limiting to: availability of the financial instruments, registration and maintenance costs as participant, technical accessing mechanisms, and number of participants to the trading of the financial instruments.

Thus, at the date of the present policy, the bank effects transactions with its Retail and Professional clients via the multilateral trading facility (MTS) operated by Bloomberg.

The bank will take into consideration in executing the Clients' orders / responding to a request for quote the level of prices available in the execution venue at the moment the Trading Department receives the order.

In order in terms of client interest to consistently obtain best results on a high quality level, when responding to client orders and request-for-quotes, the Bank will provide prices, rates or quotes and execute orders, with priority, from its own books, regardless if a trade with a client is executed via an execution venue or, exceptionally, over the counter.

In case a Clients asked for the execution of an order relating to a specific financial instruments in such a way the Bank does not accommodate via its execution policy, the Bank assesses on a case by case basis if it may execute the order in accordance with the Clients instruction, without jeopardizing its own execution policy. If the Bank appreciates that the specific instruction may affect its execution policy and consequently the interests of its Clients, the Bank will notify the Client accordingly. In addition, the Bank will precisely decide whether it reserves the right to refuse such an order in the event of doubt as to the best possible execution of such an order.

You may request RBRO any additional information with regards to its execution policy, its adopted provisions and their way of revision, while RBRO will reply within a reasonable term so that you may act accordingly.

RBRO does not use the services of brokers or other intermediaries in respect to execution of Clients orders but only for proprietary trading.

### **Placement and management of orders and or quotations**

#### **Request-for-quotes - RFQ**

The primary method for trading financial instruments for clients is the price request method (Request-for-Quote or RFQ).

In the RFQ-based trading method, the client contacts the bank or execution venue and requests the announcement of a price or quote for a particular product that the client wishes to buy or sell.

An RFQ is always a price inquiry of a binding ("firm") by one participant to the other participant of the market.

The Bank will inform the Clients with regard to the trading method for particular financial instruments and distinguishes via the present document, the fact that there is a difference between a purely non-binding price inquiry ("indicative request") and a request for quote (RFQ).

A non-binding price request is only for information purposes, whereby the Client is generally not interested in trading on the basis of the value communicated to him.

The Bank will request the Client to express his/ her intention (to trade or not based on the quotation provided) when asking for a quote.

After receiving a request for quote from a Client, the personnel within the Capital market sales department will provide to the Client, as quickly as possible, a bid/ask price, the Client having the option to accept or reject the offered price. The time of response is related to the type of financial instrument the RFQ is placed, the liquidity of the instrument and the size of the order.

Trading via RFQ means to interact with the Bank via voice (recorded phone line) or trading platforms, as the case may be, while the execution will take place on the trading venue operated by Bloomberg.

#### **RFQ via a trading venue**

The client submits a price request using the technical means available by the venue. The client will provide The Bank with all the information necessary for the pricing of that particular instrument.

The Bank representative within the Sales Capital Market Department (CMSD) receives the price request and transmits a tradable (i.e. binding) price to the customer. The client may either reject or accept the offer.

The Clients bears the full responsibility for the technical means used for accessing the trading venue. In order to access a trading venue, the Client must become direct/indirect participant to the respective trading venue.

### **Execution of orders / quotations by classes of financial instruments**

#### **Fixed income instruments – Bonds**

The bank provides to its clients execution services based on RFQ for corporate bonds, municipal bonds, as well as local and foreign government bonds. For certain financial instruments, the bank acts as primary dealer. The fixed income instruments are offered to particular types of clients (business segments) as per the Bank's distribution strategy.

The Bank trades fixed income instruments via Bloomberg (MTF) against its own account, Raiffeisen Bank International (RBI), or, in extraordinary circumstances, against a third party. Romania Government Bonds (ROMANI) are traded in counterparty with RBI. The trades are executed on RFQ method.

Partial execution is possible. The Client has the obligation to specify the exact quantity he/she submits a request for a quote.

In case the Client trades with the Bank via a multilateral trading facility (MTF), the Client benefits from full transparency regarding the trading prices for a specific corporate, municipal or government bond.

The price is main factor considered in executing trades with fixed income instruments, regardless the client classification (Retail or Professional). This factor is taken into account on condition on maintaining

the commissions and fees charged to the Client at an optimum level correspondent to the traded volumes and the costs generated by the execution of transactions.

The Client may contact the Bank, in view of concluding trades with bonds, via voice, chat or the relationship manager of FWR/ Premium Invest clients, while the transaction will be executed on the trading venue.

The factor considered for assessing the execution quality is the yield/ price.

### **Money market instruments**

Also as investment instruments, RBRO offers T-bills to its Clients. The Bank does not offer structured deposits.

The Client may contact the Bank, in view of concluding trades with bonds, via voice, chat or the relationship manager of FWR/ Premium Invest clients, while the transaction will be executed on the trading venue.

Money market instruments are distributed to particular types of clients (business segments) as per the Bank's distribution strategy.

The factor considered for assessing the execution quality is the yield/ price.

### **Derivative financial instruments with currency underlying**

Within this category, the Bank trades with its Clients FX swap and FX forward instruments. The Bank does not offer exchange traded FX futures and FX options.

The bank executes transactions with such financial instruments via MTF.

Out of a trading venue (OTC) the Clients may trade, via voice of platforms (Raiffeisen Electronic Trading), FX deliverable forward categorized as means of payments.

The trading model for such financial instruments is RFQ regardless the venue.

The price stands for the factor considered for assessing the execution quality with derivative financial instruments, irrespective of the type of Client. The time of response to a RFQ is related to the liquidity and the type of financial instrument the RFQ is placed. The complex the financial instrument and/or the lower liquidity of the instrument, the longer the time of response.

The costs charged to the Clients include the following elements:

- An adjustment cost (xVA) applicable to all non-exchangeable derivatives which includes:
  - a) – counterparty credit risks (CVA)
  - b) – funding costs (FVA), if the case
  - c) – capital costs (KVA), if the case
- Operational costs (including front and back office costs, settlement, etc.)

The adjustment cost for counterparty credit risks differ for each client in line with the Client' rating and the product portfolio held with the Bank.

Same operational costs apply to each client.

### **Undertaking collective investments in transferable securities (UCITS)**

With regards to the distribution of UCITS, the Banks provides with the service consisting of receiving orders from clients and transmitting them for execution to S.A.I. Raiffeisen Asset Management S.A. (RAM).

The execution/processing of orders in respect to UCITS is under full responsibility of RAM and is accomplished according to its own execution procedure.

RBRO receives the Client's orders via the hard-copy specific form, as well as, under exceptional circumstances, via recorded phone calls from the phone numbers of the Client registered in the RBRO records, and further delivers it to RAM.

As the technical solutions are implemented, it is possible that RBRO will use additional means of communication in relation to receiving the Clients' orders, namely electronic means, e-mail and communication/trading platforms included.

### **Securities Finance – repo and reverse repo transactions**

The present policy describes RBRO's execution guidelines for securities finance transactions (SFT), namely repos and reverse repos.

The orders can only be placed under an existent master agreement, where RBRO always acts as principal.

A repo or reverse repo transaction is entered by accepting a quote provided by RBRO.

Best execution criteria beside the price comprise the following factors:

- the then effective interest rate for the respective transaction tenor,
- the quality of the offered collateral, i.e. its
  - liquidity,
  - credit quality,
  - volatility,
  - fiscal treatment,
  - transferability,
- magnitude of the overcollateralization (haircut) or the lack of collateral,
- the tenor of the trade,
- the currency of the trade,
- potential mismatch of the trade currency and collateral denomination,
- the size of the order,
- the credit quality of the counterparty.

The quotes provided are the calibration results of the above parameters, which in RBRO's view constitutes a fair price.

### **Incentives related to the order execution/ responding to RFQ**

For the financial instruments covered by this Execution Policy, the Bank does not receive or pay, directly or indirectly, any monetary or non-monetary benefits (incentives) from/to the execution venues or other financial institutions or third parties involved in transactions in such financial instruments (Raiffeisen Bank International included).

### **The assessment of execution quality**

The Bank has implemented specific mechanisms and processes for the financial instruments part of its offer, assuring thus that prices/ rates/ quotations provided to the Clients, both informative and firm quotations, are subject to **continuous monitoring** at the bank level and which allows the Bank to check their fairness against the market quotations at the moment of execution.

The Banks monitors the correctness of the trade execution based on the periodic reports internally developed and / or in partnership with various data vendors.

In executing clients' orders, the Bank benefit from the necessary IT infrastructure, maintained and monitored by various IT departments within the Bank which are supervising the operational security and are providing maintenance services in view of transaction execution with assets cases offered by the Bank.

The Bank will review its Execution policy at least on a yearly basis.

### **Reporting of Top 5 execution venues**

The Bank will make public, on a yearly basis, on its own website, the below mention information for Retail and Professional clients respectively, as per the legal provision to disclose the most important 5 execution venues ranked by trading volumes, considering all the orders / RFQs received from clients per each type of financial instruments.

The information will be published separately for Retail and Professional clients. The reporting will not include information regarding the eligible counterparties.

The reporting will include information regarding the class of financial instruments, the name and identification of the execution venue, the volume of Clients' orders executed in the respective execution venue, disclosed as percentage of total executed volume, the number of Clients' orders executed in the respective execution venue, disclosed as percentage of total executed number, the percentage of passive and aggressive orders form total executed orders, the percentage of directed orders form total executed orders, the confirmation of average number of transactions per business day in the previous year.

The report will describe, for each class of financial instruments, a summary of the assessment of the execution quality and the conclusion reached as a result of the analysis.

Information regarding the most recent such data regarding the quality execution is available at: <https://www.raiffeisen.ro/despre-noi/guvernanta-corporativa/mifid/>, section "Raportare".

**Appendix 1 trading and type of orders**

Class of financial instruments		Trading method/ Type of order	
		RFQ	Market /limit/ other types of orders
Debt instruments	Corporate bonds, municipal bonds, local and foreign government bonds	yes	n/a
	Money market instruments (T-bills)	yes	n/a
Derivatives instruments with currency underlying	FX Swap, FX FWDs	yes	n/a