Acceptance and Execution Procedures for Client Orders in Relation to Financial Instruments

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TABLE OF CONTENTS

1. Subject Matter

1.1. This document (the "Procedure") establishes the procedure for the acceptance and execution of client orders and delivery of notifications to clients by East-West United Bank S.A.

1.2. The document was prepared in accordance with the European Union directive 2004/39/CE on Markets in Financial Instruments and CSSF Circular 07/307 as amended.

2. Definitions

2.1. "Bank" means East-West United Bank S.A.

2.2. "Client" means any natural or legal person who has entered into a Contract with the Bank.

2.3. "Contract" means General Terms and Conditions of the Bank.

2.4. "Durable Medium" means medium in which the information meant personally for the Client is stored so that it could be made available for a period not shorter than reasonably expected by the Client to be able to check it and from which information is retrieved without changes.

2.5. "Eligible Means of Providing Orders" means with respect to a Client communication channels agreed by this Client to be used for providing Orders as they appear in the Account Opening Application form submitted by the Client to the Bank.

2.6. "Financial Instruments" means products to which as per MIFID the best execution rules apply, including stocks, bonds, exchange traded funds ("ETFs"), futures, options, foreign exchange forwards (including rolling FX spot), foreign exchange options, contracts for difference ("CFDs"), certificates, warrants and mutual funds.

2.7. "MIFID" means the European Union directive 2004/39/CE on Markets in Financial Instruments.

2.8. "Order" means the Client's order given to execute a transaction in Financial Instruments.

2.9. "Order Form" means a free-format document summarizing the Order.

2.10. "Procedure" means this document.

2.11. "Representative" means a person authorized in the manner prescribed by the law.

2.12. "Specified E-mail Address" means an e-mail address chosen by the Client for communications as it appears in the Account Opening Application form submitted by the client to the Bank.

2.13. "Questionnaire" means a list of questions designed to obtain information from a potential client who wants to use the Bank's investment services and/or ancillary services reflecting the level of investment knowledge held by that person as well as related risks.

3. General

3.1. Client Orders are manually[1] handled by the Bank employees that in certain cases can limit possibilities of full and prompt execution of the Orders (e.g. it might take some time to route an Order to an execution venue so the execution will be delayed and a good price can be missed). Also missing fills can be due to the

[1] After an Order is accepted by the Bank it has to be manually booked in the core banking system and manually transmitted to an execution venue. In other words, Order processing requires human intereventions at all stages.

Bank using third party execution brokers (or other venues) who can handle orders in a manual way on their side or due to execution venues not supporting all types of orders (e.g. certain exchanges do not support market orders so the order is transferred there with a very out-of-the-money cap/floor or certain brokers support only day orders so good-till-cancelled orders has to be re-submitted there every day).

4. Types of Orders

4.1. The Bank accepts one of the following types of Orders:

- **Market Order:** with a Market Order the Client instructs the Bank to execute a trade of a certain size as promptly as possible at the prevailing market price. The Bank is required to execute Market Orders without regard to price changes. Therefore, if the market price moves significantly during the time it takes to fill a Client's Order, the Order will most likely be exposed to the risk of execution at a price substantially different from the price when the Order was entered. <u>Unless otherwise specified, the Bank considers Client Orders to be Market Orders.</u>
- **Limit Order:** with a Limit Order, the Client sets the maximum purchase price, or minimum sale price, at which the trade is to be executed. As a Limit Order may be entered away from the current market price, it may not be executed immediately. A Client that leaves a Limit Order is giving up the certainty of immediate execution in exchange for the expectation of getting an improved price in the future.
- **Stop Order:** different from a Limit Order, a Stop Order allows selling below the current market price or buying above the current market price if the stop price is reached or breached. A Stop Order is therefore a "sleeping" Order until the stop price is reached or breached.

4.2. The Orders can have one of the following durations:

- **Day Order:** <u>unless otherwise specified, the Bank considers Client orders to be Day Orders.</u> Day Orders and unfilled portions of partially executed Day Orders will expire at the end of the regular trading day that the order was received (generally, 6:00 p.m. Luxembourg time; however, for listed securities when the order is placed at an exchange the order will expire at the end of the regular trading day at that exchange).
- **Good-Till-Cancelled ("GTC") Order:** a GTC Order will remain open on the Bank's books until executed, cancelled by the Client that placed the Order or cancelled by the Bank, whichever comes first. The Bank maintains GTC Orders on file until (and including) the nearest month-end date. If the Order has not been cancelled or executed during this period, it will automatically expire.
- **Good-Till-Date ("GTD") Order:** a GTD Order will remain an open Order until executed, cancelled by the Client that placed the Order or until the Order expires at its designated time-in-force date but no later than the nearest month-end date, whichever comes first.

4.3. **All-or-None ("AON") Order** is a special method of order execution offered by the Bank <u>that has to be specifically mentioned by the Client when providing the Order</u>. AON Orders must be filled in a single execution at one price for the entire amount of the Order.

4.4. A previously given Order can (only) be cancelled by the Client by way of submitting a **Cancellation Order**.

5. Acceptance of Orders

5.1. The Bank accepts Orders to buy or sell Financial Instruments or to cancel an earlier provided Order.

5.2. The following Order details must be included in the Order:

- Date and time (hours and minutes) of giving the Order;
- Client's name and surname or company name (unless the Order is sent from Specified E-mail Address or provided by phone);
- Client's account number (in case of multiple accounts);
- Order type;
- Name of the Financial Instrument;

- ISIN code and other details of the Financial Instrument;
- Number of the Financial Instrument in which the transaction is being made / Investment amount and currency;
- Order execution conditions: limit price, term of validity, conditions;
- Client's signature. If the Client is a legal person, the following details should be specified: the name, surname, job title and signature of the person representing the legal person (unless the Order is sent from Specified E-mail Address or provided by phone).
- In case the Order is provided to cancel an earlier given Order there should be a dully reference to the initial Order.

5.3. Orders are accepted by the Bank during working hours: Monday to Thursday, between 9:00 a. m. and 6:00 p. m.[2] Fridays and on the days before public holidays between 9:00 a. m. and 4:00 p.m.

5.4. The Bank can receive Orders directly from Clients in the following ways:

- **Client meets a Bank employee at the Bank's premises.** The Bank's employee fills out the Order Form as specified by the Client, prints two copies and presents them to the Client to sign. After the Client signs both copies of the Order, the employee verifies Client signature and countersign the Order Forms. One copy of the Order is given to the Client.
- **Client provides an instruction by phone.** In this case, the conversation with the Client is recorded. Bank's employees prior to accepting and registering the Order, make sure the telephone is chosen by the Client as one of the Eligible Means of Providing Orders and establish the identity of the person who has given that Order, i.e. the Client shall quote his/her password, which was assigned to the Client upon agreeing on the Eligible Means of Providing Orders. However, if the particular telephone number from which the Client calls was chosen by the Client as one of the Eligible Means of Providing Orders the authentication of the Client is not necessary, as per the General Terms and Conditions (see section 5.2).
- **Client sends the Order by fax or by email.** Bank's employees prior to accepting and registering the Order, (when applicable) verify Client signature and make sure the fax or (the particular) e-mail (address that was used to provide the Order) is chosen by the Client as one of the Eligible Means of Providing Orders.
- **Client sends the Order via e-banking messaging system.**

5.5. If the Order is communicated by phone, by fax or via email, the Bank haves the right (but not an obligation) to request that the Client submits a signed original of the Order.

5.6. If a Client gives Orders by phone, the Bank records the conversation with Clients and reserves the right to use those phone conversations as evidence in examining disputes between the Bank and Clients regarding the fact that a relevant Order has been given as well as its content.

5.7. A Client may give an Order directly or through his/her Representative who must have a letter of authorization/power of attorney to act on behalf of the Client (letters of authorization/notarized copy are kept in the External Client's file). Such Representative, when giving an Order to the Bank by phone, must be identified in the same manner as the Client.

5.8. Where the Order is given to the Bank by a Client who is a legal person, Bank's employees must ascertain that the person giving the Order has a written letter of authorization (e.g. is mentioned in the account opening application form) to act on behalf of that legal person on a relevant matter.

5.9. When accepting the Order from an External Client, Treasury employee, dealing with retail clients as per MIFID classification, must take into account the External Client's knowledge, investment experience and risk profile which are assigned to the External Client based on the Questionnaire filled in and signed by the Client

[2] It has to be noted that there is only limited capacity for accepting (late) orders with settlement the same day.

(i.e. the results of MIFID appropriateness test). Client data is kept in the Client risk assessment table which is stored in the Bank's internal database. This table contains a Risk profile assigned to each Client based on the data submitted by that Client. The risk profile can be either "Conservative", or "Balanced", or "Aggressive". External Clients who do not have the risk profile being assigned to them are assigned with a Conservative risk profile until they submit a duly completed Questionnaire of a prescribed form to the Bank. When Client's Order is transferred to Treasury by a Responsible Employee it is the responsibility of the latter to check the client profile prior to providing the Order to Treasury. Clients with the Conservative profile can only trade listed on a recognized stock exchange shares (incl. shares of ETFs), money-market instruments, bonds, units/shares in a UCITS qualifying collective investment schemes (non-complex products). Balanced Clients can trade above-mentioned non-complex products, principal protected notes and buy option protection. Aggressive Clients can deal with and Financial Instruments.

5.10. If an Order is given in relation to a Financial Instrument that has been recognized as unsuitable based on the risk profile assigned to the Client, and such Order is given at the initiative of the Client himself/herself, the Client shall be given a warning and the Client shall confirm that such Order is given upon his/her own initiative and that the Client is duly informed that the Bank does not have a duty to assess the suitability of that Financial Instrument with regard to this client.

5.11. Prior to accepting an Order to purchase Financial Instruments the Bank makes sure that the Client has a required amount of funds accumulated in his/her account with the Bank intended for the purchase of Financial Instruments and for the payment of a relevant fee to the Bank. If the Client does not have the required amount at his/her account with the Bank then the Order can be declined or partially declined.

5.12. Prior to accepting an Order to sell Financial Instruments the Bank makes sure that the Client has a required amount of units of the Financial Instruments accumulated in his/her account with the Bank. If the Client does not have the required amount of units of the Financial Instruments at his/her account with the Bank then the Order can be declined or partially declined.

5.13. The Bank reserves the right, immediately after accepting an Order, to block the necessary for the execution of the Order amount of funds or units of Financial Instruments (whichever is applicable) at the Client account. When price of the Financial Instrument to be traded is not known in advance (e.g. in case of the Market Order) the Bank reserves the right to block funds with a safety margin (to the current observable market price) that is chosen at the absolute discretion of the Bank.

5.14. The Bank, after accepting an Order (either buy or sell or cancel previously given order) shall, no later than the next working day, give the Client or the Client's Representative an Order confirmation in a Durable Medium. Confirmation may not be sent if the Client has given the Order in person or by phone to a Bank's employee, who has informed the Client about the acceptance of the Order by phone, and such phone conversation was recorded.

6. Order execution

6.1. The Bank, after making sure that all requirements set out in Part 5 of the Procedure for Order acceptance are met shell start executing the Order (unless a later execution date is specified in the Order) promptly and under most favourable conditions for the Client.

6.2. When placing an Order in the market the Bank takes into consideration the (blocked) amount of funds Client has at his/her account with the Bank. For instance, for Market Orders to purchase a Financial Instrument placed by the Client, the Bank might decide to place the Order with an upper price limit to avoid an overdraft.

6.3. During the day Bank's employees regularly check the market and status of placed Orders to promptly notify the Client about execution of his/her Order as well as (in relation to Retail clients as per MIFID

classification only) of any material difficulties ("unusual" events) that can affect the proper execution of the Orders.

6.4. In the absence of specific Client instructions (regarding the execution venue), in order to achieve the best possible result for Clients when executing an Order Bank's employees shall take into consideration; inter alia, a combination of the following execution factors:

- Price (including incidence of price improvement);
- Costs (in providing the total execution);
- Speed (including likelihood of execution and settlement);
- Size (including nature and type of the order), and
- Market impact (or any other relevant peripheral consideration).

Using their commercial judgment and market expertise, Bank's employees executing the Orders should consider the relative importance of these execution factors when weighed against the following order criteria:

- Characteristics of the Client;
- Characteristics of the Order;
- Prevailing market conditions;
- Financial instrument and its suitability for the Client, and
- Characteristics of the execution venues to which the order can be directed.

The process by which the employees undertake this assessment is neither supposed to be uniform nor directly comparable in each instance.

6.5. Executing Orders Bank's employees should take into account the different circumstances associated with the execution of the Order as they relate to the particular Financial Instruments involved, namely:

- For shares or depositary receipts admitted to a centralised trading venue, price and costs would be considered significant factors when routing to a particular venue (it has to be noted that, in general, the Bank charges Clients fixed fee for execution of transactions that does not depend on the execution venue and commissions the Bank is charged by those venues, hence the costs factor in the majority of cases is less significant);
- For other transaction types, increased emphasis may be placed on the sourcing of liquidity;
- Emerging markets may also present lower volumes of liquidity and for practical necessity, particular emphasis will be placed on the speed and therefore likelihood of execution. Execution may not be at the lowest price available, but the certainty of execution for the whole order may increase overall.

6.6. Where there is a large Order that may exceed the available liquidity of the market (or where the likely impact on the market may be too great), execution of the order may occur in stages (manually or by transmitting to an execution venue "iceberg" order), to allow the Bank to facilitate the execution appropriately. It is at the absolute discretion of a Bank's employee who executes the Order to decide on the execution in stages, unless the latter is prohibited by the Client by way of specifying in the Order the All-Or-Nothing execution method. Also, for relatively illiquid amounts the Bank might decide at its full discretion to place a limit (even for the Market Order) when executing the Order to avoid trades at off-market prices.

6.7. When executing an Order following a specific client instruction, the Bank will execute the Order in line with those instructions and will treat as satisfied its best execution obligations in respect of the part (or aspect) of the order to which those instructions relate.

6.8. In certain cases the Bank can act as the principal for trades with Clients resulted from execution of an Order. For instance this will be the case for all derivatives transactions. In this case the Bank can either hedge back-to-back with one of its counterparties or trade against the Bank's proprietary desk. Also the Bank can trade securities against the Bank's proprietary desk.

6.9. Executing an Order, Bank's employee should follow the following best execution rules per class of Financial Instruments:

- If shares or depositary receipts are listed at one execution venue, the Bank should (instruct a counterparty/broker to) place the Order on that venue.
- For multiple listed shares or depositary receipts Treasury should in general instruct a counterparty to execute the Order on the primary exchange of the instrument concerned. However, when Treasury reasonably believes it is in the best interests of the Client that the Order will (also) be submitted on other markets (e.g. liquidity of the instrument is higher/comparable on another market) and the total price is not unfavourable for the Client, the Order can be executed on the said markets.
- For listed bonds, for which a liquid market exists the Bank should determine the execution venue in the same manner as for listed shares.
- For unlisted bonds or listed bonds for which no liquid market exists the Bank shall request at least two external counterparties to provide a quote (and, optionally, the internal proprietary desk). The order shall be allocated to the counterparty that offers the best quote. If the Bank could find only one external counterparty interested in providing the quote (e.g. for a small order) or the internal proprietary desk is the sole quote provider seeking the business then the Bank compares the received quote with the bid or ask price (whichever is relevant) of the relevant composite provided by Bloomberg or Reuters or with prices of visible in Bloomberg or Reuters indicative quotes from other market participants. If the quote is better than the price of the composite (or maximum visible indicative price of another market participant) then the Bank can execute the Order. Otherwise the Bank should communicate the situation to the Client and ask for a consent to proceed with the trade.
- For money market instruments such as commercial papers and certificate of deposits prices are usually comparable for various counterparties, hence the Bank can ask only one counterparty to provide a quote.
- For derivatives listed on one execution venue the Bank should (instruct a counterparty/broker) to place an order on the said venue and use the trade for back-to-back hedging purposes.
- For derivatives listed on several execution venues the Bank should (instruct a counterparty/broker) to place the Order on the most liquid market provided that the total price of the transaction is not unfavourable for the Client.
- When trading non-listed derivatives, Clients trade on Bank's price. There are a number of factors that can be used to construct a derivative price, and these will vary depending on the asset class traded, the nature of the market and the characteristics and terms of the transaction and any special market or credit risks posted by it. The Bank should apply a standardized method of price calculation for non-listed derivatives to ensure that the price that is offered to a Client is the best the Bank can obtain on Client's behalf. Consistent use of the calculation method ensures the best execution. Until internal models are developed the Bank should use Bloomberg pricing models.

6.10. The Client pays a commission fee to the Bank for each fully or partially executed Order in accordance with the approved Banks's price rates unless special conditions has been agreed with the Client. In case the Bank does not find a way to execute Client's Order with a profit for the Bank (taking into consideration Client's fees and expenses paid by the Bank to the execution venues) a higher commission can be proposed to the Client, alternatively the Order can be declined. For the former the Bank needs to receive Client's consent via Eligible Means of Providing Orders prior to the execution of the Order.

6.11. The Bank at its own discretion can aggregate Client's Orders with its own orders and Orders of other Clients. Orders should only be aggregated where the Bank reasonably believes it to be unlikely that the aggregation generally will be detrimental to the Client. The Bank should settle any partly filled aggregated Orders pro rata at an average price.

6.12. Each Client whose Order is planned to be merged, shall be notified that the merger of Orders may have an adverse effect on a specific Order and a prior consent (in writing or by phone if conversations are recorded) has been obtained from the Client to merge such an Order.

6.13. Internal crossing between Clients may be conducted either through brokers or on rare occasions directly by the Bank. Internal crossing without using a broker may be conducted by the Bank provided there is a case by case prior acceptance from the concerned Clients. When internal crossing is chosen for trading, information will be sought in the market on the level of the specific deal by the use of information channels, brokers and potential counterparties. The execution price will be a product of available reference price information and other factors such as:

- Liquidity
- Order size
- Price developments in related products
- Market price
- Market conditions
- Trade size and nature

7. Post-execution arrangements

7.1. After executing the Client's Order, the Bank shall immediately, but no later than the next working day, provide an Order completion confirmation to the Client in a Durable Medium.

7.2. If the Order has been executed in parts, the Bank might but not obliged to provide information about the price of each completed part of the Order.

7.3. The Bank has the right at its sole discretion to cancel or price-adjust any trade that is deemed by the Bank to have been the result of an obvious error (obvious error may include but is not limited to the following: incorrect security symbol or name, size and/or prices that are unrelated to the market). Bona fide errors can result from human error or system issues that affect the execution of an order. Such errors can occur at the Bank side or can occur outside of the Bank at an exchange, a broker or at other market centers utilized by the Bank in connection with the execution of an Order. Such errors can also result from general market volatility, communications system breakdowns or other conditions over which the Bank has no control. In the event that the Bank exercises this right, it immediately informs the Client.