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mintos

AS Mintos Marketplace Policy for client order execution

APPROVED

with AS Mintos Marketplace Supervisory Board decision

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DEFINITIONS

The following key terms, when used as capitalised terms in this Policy, shall have the following meaning:

Term	Definition
Best Execution	Best Execution is the requirement to take all sufficient steps to obtain the best possible result when executing Client orders.
Execution venue	A venue where Client orders are executed, also including but not limited to brokers and Trading venues.
Financial Instrument	Those instruments specified in Section C of Annex I of MiFID II (and its fractions, if any), including Notes.
Client	A natural or legal person who has investment accounts (Financial instrument account and/or cash account) in the Company and who has concluded an investment service agreement with the Company, i.e. agreed with the Terms and Conditions of Mintos Investment Platform.
Supervisory Board	The supervisory board of the Company.
MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending directive 2002/92/EC and directive 2011/61/EU.
Investment Firm or Company	AS Mintos Marketplace, a joint stock company registered in the Commercial Register of Latvian Enterprises on 1 June 2015 with Registration No. 40103903643 which holds an investment firm licence issued by Latvijas Banka, the central bank of Latvia.
Multilateral Trading Facility (MTF)	A multi-lateral system, operated by an investment firm or market operator, which brings together multiple third-party buying and selling interests in Financial Instruments in a way that results in a contract in accordance with the provisions of Title II of MiFID II.
Organised Trading Facility (OTF)	A multi-lateral system that is not a Regulated Market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances, or derivatives are able to interact in a system in a way that results in a contract in accordance with Title II of MiFID II.
Over-the-counter (OTC)	A method of trading that does not take place on an organised venue such as a Regulated Market, OTF or an MTF.
Platform	Sites created and serviced by Investment Firm merged under the domain name www.mintos.com, and mobile apps that allow the Clients to use various services offered by Mintos and operating within the scope of this site. The users are informed that Mintos Mobile Apps may provide a limited range of services and content changing their availability from time to time at Mintos sole discretion.
Policy	This Policy for Client order execution.
Professional Client	A Client who has been categorised as a Professional Client according to the Policy on Client classification and investment product/service suitability and appropriateness assessment.

Regulated Market	A multi-lateral system operated and/or managed by a market operator, which facilitates the bringing together of multiple third-party buying and selling interests in Financial Instruments in a way that results in a contract, in respect of the Financial Instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of MiFID II.
Retail Client	A Client who is not categorised as a Professional Client or an eligible counterparty according to the Policy on Client classification and investment product/service suitability and appropriateness assessment.
Trading venue	A Regulated Market, a MTF or an OTF.
Issuer	A special purpose entity that has been established in the Republic of Latvia and whose principal purpose is the regular issue of Notes. There shall be multiple Issuers.
Notes	Financial Instruments - debt financial instruments which are issued by the Issuer in different series, with each series being backed and linked to a pool of loan receivables or other underlying assets as defined in the relevant prospectus. Real Estate Securities and Fractional Bonds that are offered on Mintos Platform are also Notes within the context of this Policy.
Money market fund	A collective investment undertaking which has been authorized under Directive 2009/65/EC or who is subject to supervision and, if necessary, has received permission from the relevant authority in accordance with the authorizing Member State legislation.

1. The purpose of the Policy

- 1.1. The purpose of the Policy is to ensure that the Investment Firm delivers Best Execution to its Clients when executing orders on behalf of them.
- 1.2. The Policy is binding upon all employees of the Investment Firm who are responsible for executing Clients' orders in Financial Instruments.
- 1.3. The Company employees are informed about this Policy when commencing employment, this Policy is freely available at all times to all relevant staff of the Company as stated in clause 1.2.
- 1.4. The Policy applies to both Retail and Professional Clients.
- 1.5. This Policy is adopted in accordance with requirements of the Financial Instruments Market Law of Republic of Latvia, as amended from time to time, and taking into consideration:
 - 1.5.1. Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in Financial Instruments and amending Regulation (EU) No 648/2012;
 - 1.5.2. Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive;
 - 1.5.3. MiFID II.

2. Financial instruments and services covered

- 2.1. The Policy applies to the following investment services provided by the Investment Firm:
 - 2.1.1. Execution of orders on behalf of Clients;

- 2.1.2. Individual management of financial instruments of Clients according to an authorisation given by Clients (portfolio management service) where the Investment Firm itself executes relevant orders (i.e. decision to deal);
- 2.1.3. Reception and transmission of Client orders where the Investment Firm receives a Client order and forwards it to another firm for execution. This may be necessary, for example, in situations where the Investment Firm is not a member of the Trading venue where the financial instruments that the Client intends to trade are listed.
In this policy, "execution of orders" is also used to include the service reception and transmission of client orders, unless stated otherwise.
- 2.2. The Policy shall cover transactions in all Financial Instruments the Investment Firm is engaging in, namely the following Financial Instruments but not limited to:
 - 2.2.1. **transferable securities, including** Notes;
 - 2.2.2. Units/shares of *Undertakings for the Collective Investment in Transferable Securities* (UCITS) - Money market fund;
- 2.3. Irrespective of whether a specific transaction is covered by this Policy, the Investment Firm has an overriding duty to act honestly, fairly and professionally in accordance with the best interests of its Clients.

3. Application of Best Execution

- 3.1. When executing Client orders, the Investment Firm may act in different capacities. A distinction is made between acting as agent or principal:
 - 3.1.1. As agent - when the Investment Firm acts in an agency capacity, the Investment Firm trades in its own name on behalf of the Client. This is commonly the case when the Investment Firm executes Clients' orders on a Trading venue or OTC. Best Execution obligation shall apply when the Investment Firm acts as agent for the Client.
 - 3.1.2. As riskless principal – when acting in a riskless principal capacity, simultaneously upon entering into a transaction with a Client the Investment Firm enters into a matching transaction with an Execution venue or a third party, including another Client, thereby ensuring that the Investment Firm assumes no positional risk under the transaction, taking no profit or loss between the two elements other than the agreed commission, fee or charge. Best Execution obligation shall generally (except for cases of specific Client instructions stated in Paragraph 4) apply in these cases.
 - 3.1.3. As principal – in a principal capacity the Investment Firm is taking the transaction onto its own books and assuming the positional risks that this generates. Best Execution obligation shall not apply except if a Client is placing a legitimate reliance on the Investment Firm to protect his/her interests in relation to the execution of the transaction.
- 3.2. In order to determine whether a Client is placing legitimate reliance on the Investment Firm to protect his/her interests when negotiating transactions or when the Investment Firm receives orders from a Client on a principal basis, the Investment Firm shall take the following four considerations into account:
 - 3.2.1. which party initiates the transaction – if a Client is the initiating party, it is less likely that a Client is placing legitimate reliance on the Investment Firm;
 - 3.2.2. market practice – when it is convention in the relevant market for buyers to ask for quotes from several investment firms, there is likely no expectation to receive Best Execution;
 - 3.2.3. relative levels of transparency within the market – when pricing information is transparent and it is reasonable that a Client has access to such information, it is less likely that a Client will be placing legitimate reliance on the Investment Firm;
 - 3.2.4. the information provided by the Investment Firm and any agreement reached – where any agreements or arrangements with a Client (including this Policy) do not indicate that a Client will place legitimate reliance on the Investment Firm or that the Investment Firm has agreed to provide Best Execution, then it is less likely that a Client is placing legitimate reliance on the Investment Firm.

4. Specific Client instructions

- 4.1. Where a Client provides the Investment Firm with specific instructions on how all or part of his/her order should be executed, the Investment Firm shall 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.
- 4.2. Where the instruction does not cover all aspects of the transaction, the Investment Firm shall apply the principles set out in the Policy to its remaining aspects.

5. Execution factors and their relative importance

- 5.1. To obtain the best possible result for the Client, the Investment Firm shall consider the following execution factors and their relative importance:
 - 5.1.1. the price available in markets and Execution venues to which the Investment Firm has access;
 - 5.1.2. transaction costs, including venue execution charges and settlement costs;
 - 5.1.3. speed of the transaction execution;
 - 5.1.4. the likelihood of execution and settlement, as impacted by market liquidity;
 - 5.1.5. the size and nature of the transaction;
 - 5.1.6. risks to the Investment Firm arising from execution;
 - 5.1.7. any other circumstances the Investment Firm considers relevant.
- 5.2. Where the Investment Firm executes an order on behalf of a Retail Client, the best possible result shall be determined in terms of the total consideration, i.e. the price of the Financial Instrument and the costs relating to execution. Other factors may be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the Retail Client.
- 5.3. For Professional Clients, the Investment Firm shall take the following execution criteria into account when prioritising the individual execution factors:
 - 5.3.1. the characteristics of the Client order;
 - 5.3.2. the characteristics of Financial Instruments;
 - 5.3.3. the characteristics of the Execution venues to which that order can be directed;
 - 5.3.4. any other circumstances the Investment Firm considers relevant.
- 5.4. There may be circumstances in which the Investment Firm may want to deviate from how it generally prioritises between the execution factors. This could, for example, be the case for large orders or orders in illiquid instruments where other factors such as certainty of execution and market impact are deemed more important, or in cases where market conditions such as severe market disruptions do not enable the Investment Firm to follow the general rules set forth in the Policy.

6. Selection of Execution venues / brokers

- 6.1. The Investment Firm shall execute the Client orders OTC with or without the use of other Execution venues, including brokers. Clients should be aware that in respect to the Issuer or brokers counterparty risk may occur. Counterparty risk refers to an event where the counterparty to a transaction fails to honour its obligations resulting from this transaction e.g. by failing to deliver Financial Instruments. The Client can direct any questions regarding OTC trades to the Investment Firm.
- 6.2. The Investment firm shall execute the Client orders OTC directly with the issuing or distributing or selling party (counterparty) where those instruments are not available or not traded publicly. Orders regarding units/ shares in a Money market fund that is not admitted to trading on a Regulated Market or MTF, Investment Firm will execute by sending the order to the relevant Money market fund management company (or equivalent) for execution in accordance with their rules (or equivalent).

- 6.3. The Investment Firm shall, according to the regulations, summarise and make public on an annual basis, for each class of Financial Instruments, the top five Execution venues in terms of trading volumes where it has executed or placed/transmitted orders and noting where orders were executed OTC.

7. Trading obligation

- 7.1. In instrument classes subject to trading obligations under MiFID II, the Investment Firm shall ensure that orders subject to the trading obligation are not executed OTC, but instead on a Trading venue in accordance with the specific requirements.

8. OTC execution

- 8.1. When executing orders OTC, the Investment Firm shall check the fairness of the price proposed to the Client by analysing market data, if available, used in the estimation of the price of such product and, where possible, by comparison with relevant products.
- 8.2. In order to ensure fairness of the price, the Investment firm shall periodically conduct one of the following activities, in order of priority:
- 8.2.1. Analyse the price of instruments traded on the Platform;
 - 8.2.2. Analyse similar transactions conducted on the market;
 - 8.2.3. Modelling the price of the instrument.

9. Disturbances in the market or trading system

- 9.1. In the event, for example of stopped trading by the third party, disturbances in the market or in the Investment Firm's own systems, e.g. due to outages or deficient access in technical systems, it may be impossible or inappropriate to execute orders in any of the ways stated in the Policy. The Investment Firm will thereupon undertake all reasonable measures in order to otherwise achieve the best possible result for the Client.

10. Aggregation and allocation of orders

- 10.1. The Investment Firm may aggregate Client orders, including with other Client orders or a transaction on the Investment Firm's own account if it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any Client whose order is to be aggregated.
- 10.2. An aggregated order that has been executed shall be allocated based on the average price.
- 10.3. Where an aggregated order has been only partly filled, the allocation shall be proportionate to the relative size of each order.
- 10.4. Where a Client order has been aggregated with a transaction on Investment Firm's own account and the aggregated order is only partially executed, the allocation shall give priority to the Client.

11. Order execution by asset class

Debt instruments (including but not limited to Notes) and Money market fund units

- 11.1. The Investment Firm shall service Client demand by primarily trading in Financial Instruments on a riskless principal basis.
- 11.2. The Investment Firm shall owe a duty of Best Execution:
- 11.2.1. when a Client commits to a trade that is not immediately executable, leaving discretion with the Investment Firm as to the manner of execution and exact terms of the resulting transaction, and the execution can be booked to the Client's account, without the need to re-confirm the price, size or any other factor(s) with the Client;
 - 11.2.2. where the Investment Firm executes an order as an agent or riskless principal on the Client's behalf.
- 11.3. Execution factors will be prioritised in the following order:
- 11.3.1. Price;

- 11.3.2. Size;
 - 11.3.3. Speed;
 - 11.3.4. Likelihood of execution;
 - 11.3.5. Costs;
 - 11.3.6. Other considerations.
- 11.4. Wherever possible, prices shall be benchmarked against external and internal reference prices to ensure that Best Execution is achieved on a consistent basis. A fair price for instruments is determined by assessing the prices of similar Financial Instruments, e.g. Financial Instruments with the same risk and maturity.

12. Proof of Best Execution

- 12.1. The Investment Firm shall publish a summary of the analysis and conclusions it draws from the detailed monitoring of the quality of execution during the past year. The information shall include:
- 12.1.1. an explanation of the relative importance given to the execution factors of price, costs, speed, the likelihood of execution, or any other consideration including qualitative factors when assessing the quality of execution;
 - 12.1.2. a description of any close links, conflicts of interest, and common ownerships with respect to any Execution venues used to execute orders;
 - 12.1.3. an explanation of how order execution differs according to Client categorization where the Investment Firm treats categories of Clients differently and where it may affect the order execution arrangements;
 - 12.1.4. an explanation of whether other criteria were given precedence over immediate price and cost when executing Retail Client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the Client;
 - 12.1.5. an explanation of how the Investment Firm has used any data or tools relating to the quality of execution;
 - 12.1.6. other relevant information, as determined by Commission Delegated Regulation (EU) 2017/576.

13. Liability, Update, and Control of the Policy

- 13.1. The Supervisory Board shall be responsible for the approval and implementation of the Policy.
- 13.2. The Product team of the Investment Firm shall be responsible for regularly monitoring and improving processes related to the Policy.
- 13.3. The Investment Firm shall review the Policy at least annually and, if necessary, make the required amendments.

14. Other provisions

- 14.1. The Investment Firm shall publish the Policy on its website.
- 14.2. The Investment Firm shall ensure that the Clients shall be acquainted with the Policy before starting to provide investment services.