



# **RULES FOR EXECUTION OF ORDERS**

Valid and effective from 1 April 2021

**Citibank Europe plc, organizační složka  
Prague  
Czech Republic**

Citibank Europe plc, a company established and existing under the laws of Ireland, with its registered office at North Wall Quay 1, Dublin, Ireland, registered in the Companies Register in the Irish Republic under No. 132781, conducting business in the Czech Republic through Citibank Europe plc, organizační složka, with its registered office at Bucharova 2641/14, Prague 5, Stodůlky, postal code 158 02, ID No. 28198131, incorporated in the Commercial Register administered by the Municipal Court in Prague, Section A, Insert 59288. Member of Citigroup. The supervisory authority of Citibank Europe plc is the Central Bank of Ireland and, to a limited extent, the European Central Bank and the Czech National Bank.

These Rules for execution of orders (the “**Rules**”) determine the general rules under which Citibank Europe plc, conducting its business in the Czech Republic through Citibank Europe plc, organizační složka, registered office at Praha 5, Stodůlky, Bucharova 2641/14, Postal Code 158 02, Company ID No. 28198131, incorporated in the Commercial Register of the Municipal Court in Prague, File Number A 59288 (the “**Bank**”), executes the clients’ rules on best terms and in accordance with the applicable legal regulations governing the capital market, particularly Act No. 256/2004 Sb., on Undertaking on the Capital Market, as amended (the “**Capital Markets Act**”), the Commission Delegated Regulation (EU) 2017/565 (the “**Legal Regulations**”) and the Bank’s internal regulations.

## 1. SUBJECT AND PURPOSE OF THE RULES

The purpose of the Rules is to generally describe or familiarize the clients with the rules and procedures under which the Bank, in relation to the investment instruments, shall execute the clients’ orders on best terms (if such execution is required by the Legal Regulations), while always taking into account the relevant criteria and conditions arising from the Rules and Legal Regulations. In the course of the aforementioned operations, the Bank shall proceed in a qualified, honest and businesslike manner and act in the best interest of its clients.

The Rules shall be applicable when the Bank executes the orders from a Bank’s client (hereinafter the “**Client**”) related to the investment instruments. Currently, the Bank does not provide the Clients with investment services of accepting and transferring of orders and executing orders that would lead to trading with investment instruments (under Sec. 4 par. 2 lett. a) and b) of the Capital Markets Act), nor does it offer the investment service of managing Client’s portfolio (under Sec. 4 par. 2 lett. d) of the Capital Markets Act). The Bank undertakes trades of investment instruments with the Client only within the investment service of trading investment instruments on own account (under Sec. 4 par. 2 lett. c) of the Capital Markets Act), i.e. using the Bank’s own assets (“**Trading**” and transactions concluded between the Bank and the Client within Trading also “**Transactions**”). Although the Bank does not execute Transactions with investment instruments on the Client’s account, the Bank does not act as an intermediary nor as the Client’s broker or other representative, it only acts as the Client’s counterparty. However, based on the Legal Regulations, the Trades may in some cases be considered as executing the Client’s orders (see Part 2 (*Transactions to which the Rules Apply*)). In such cases, the Bank is obligated to execute the Client’s orders on best terms in accordance with these Rules, while nothing in the Rules shall create an obligation to the Bank to execute the Client’s instructions on best terms if such an obligation is not directly created under the Legal Regulations.

In addition, the Bank currently executes Transactions only with Clients classified as professional clients or eligible counterparties. In order for the Rules to be clear and comprehensible, the Bank describes herein only its own rules to achieve the best terms when Trading, and only with Professional Clients.

Furthermore, the Rules determine certain regulations for processing and commingling the Client’s orders.

## 2. TRANSACTIONS TO WHICH THE RULES APPLY

When executing Transactions, the Bank assesses whether the Client is legitimately relying on the Bank with respect to the protection of its interests. If so, for the purposes of these Rules, the Trading shall be considered as executing of orders and the Bank is obligated to act in accordance therewith in order to achieve the best terms for the Client.

The Bank shall determine whether the Client is legitimately relying on the Bank with respect to the protection of its interests by means of the Four-Fold Test. This process shall take into account several relevant parameters determining:

- **whether the transaction is initiated by the Client or the Bank** – in case the Bank addresses the Client and suggests concluding the transaction, the probability of the Client relying on the Bank in protecting its interests is higher. On the other hand, if the transaction is initiated by the Client, the probability is lower;
- **the prevailing market practice** – if the market practice in the relevant market suggests that the Client actively assumes the responsibility for the resulting transaction and independently evaluates the valuation and other transaction parameters (e.g. if the Client commonly addresses multiple securities dealers and independently shops around with respect to the relevant transaction), it is less probable the Client relies on the Bank in protecting its own interests;
- **the relative level of market transparency** – if the Bank has direct access to prices on the market on which it operates, while the Client does not have such access, it is more probable the Client relies on the Bank in protecting its own interests. If the Bank and Client have equal or similar access to the market prices or the Client has even better access, it is less probable the Client relies on the Bank in the aforementioned matter;
- **the information provided and the contractual terms** – unless the Agreement and the Rules state the Client is dependent on the Bank or if said documents explicitly state the Bank shall not execute the orders on best terms, it is less probable the Client relies on the Bank in protecting its own interests.

Trading with the Client shall be also considered as executing the Client's orders in the case that the Bank executes Transactions with the Client in such a way that the Bank is not exposed to the market risk because it shall execute a mirror trade at the same time and under the same terms (in terms of investment instrument, time, and price) with another counterparty ("**Back-to-back Transaction**"). If the Bank bears even partial market risk in relation to a Transaction, such Transaction is not a Back-to-Back Transaction.

### 3. WHEN THESE RULES SHALL NOT APPLY

The Rules shall not apply in the following cases:

- if the Bank executes Transactions with Clients not considered as executing orders under Part 2 (*Transactions to which the Rules Apply*);
- if the Bank executes a special order (see below);
- in the case of transactions the subject of which is not an investment instrument and therefore are not subject to the Rules (e.g. foreign exchange spot);
- if the Client is classified by the Bank as an Eligible Counterparty or if the Bank is not otherwise obligated to the Client to meet its duties under the Legal Regulations in relation to executing orders on best terms;
- if the Four-Fold Test outcome indicates that the Client does not rely on the Bank in protecting its interests; and
- in the case of a foreign exchange forward; however, only assuming that such foreign exchange forward complies with the characteristics of a means of payment under Article 10 par. 1 lett. b) of the Commission Delegated Regulation (EU) 2017/565 of 25 April 2016.

#### 4. ACHIEVING THE BEST TERMS

The Bank executes the orders on best terms and in a manner defined in the Rules; these Rules are to ensure the achievement of the best possible results for the Client within the specific investment service (while taking account of all relevant factors, primarily the Client's classification as a professional client, nature of the specific client's order, characteristics and features of the investment instrument which is the subject of the relevant order), all of which should be achieved on a permanent or regular basis.

Acting in accordance with the Rules should bring the best possible results with regard to all orders concerning any investment instrument that the Bank may execute for the Clients. Executing the orders on best terms shall mean that such orders shall be executed in compliance with the Legal Regulations and the Rules.

Achieving the best possible result in the meaning of the Rules, however, does not necessarily mean that this result must be achieved in relation to every single order or that it would not be possible to obtain a better price or different terms and conditions, in respect to a particular order, under certain circumstances.

The Bank executes Transactions with the Clients on a request for quote basis ("**RfQ**"). The RfQ basis means the Transaction is initiated by the Client by asking the Bank to submit an offer to execute a Transaction. The Bank executes the Client's orders on best terms by taking account of the following when submitting the offer to execute such a Transaction:

- a) achievable price (high relative importance),
- b) total amount of fees charged to the client (limited relative importance),
- c) speed at which the instruction may be executed (limited relative importance),
- d) probability of executing the order (limited relative importance),
- e) volume of the trade required (limited relative importance),
- f) conditions for settlement (limited relative importance),
- g) type of instruction (limited relative importance), or
- h) any other factor relevant for executing the client's orders on best terms (high relative importance).

The relative importance of the factors above shall be assessed by the Bank as part of the Bank's regular business terms and conditions and practices or experience in the light of available information and conditions at the relevant market; these shall be further considered while taking the following criteria into account:

- the Client's characteristics including its classification,
- the Client's order characteristics,
- the characteristics of the investment instrument which is the subject of the Client's order.

The total transaction value for professional Client may be affected by all of the above-mentioned factors. Therefore, the Bank may conclude that factors other than price and related costs are more important for the Client for achieving the best terms.

The Bank is a long-term significant financial market participant and market maker in the Czech Republic and abroad. The Bank provides a stable permitted product list (PPL) within which it shows a long-term material market share and achieves a high level of trading efficiency based on exclusive approach to highly competitive prices, broad base of counterparties with which it trades directly or via other group members outside of the regular market and has agreements in place with them on contractual and settlement conditions, and on other synergies resulting from the worldwide significant market share of Citigroup and infrastructure capacities. These circumstances also allow the Bank to achieve the best terms while executing the Clients' orders regarding the aforementioned factors.

For the purposes of the Rules, the Bank splits its product list in the following manner:

- Off-Balance Sheet Derivative Transactions with market risk managed by responsible individuals within the Bank on its account in the relevant trading books,
- Off-Balance Sheet Derivative Back-to-Back Transactions with terms and conditions dependent on terms and conditions of mirror trades executed with the Counterparty since the Bank provides the Client with the same terms and conditions for back-to-back trade yet with the added margin for the Transaction execution,
- Bonds.

Within the analysis of the achieved quality of executing the order, all three of these product categories rely on the assurance that the aforementioned basic factors or conditions regarding the Bank's position on the market remain valid and on periodic internal and external assessments of market importance of the Citigroup members in individual countries. The category of Bonds is specific due to the status of the Bank as primary dealer and the related public evaluations; in further procedures, achieving the best terms when executing Transactions in the Bonds category is similar to Off-Balance Sheet Derivative Transactions.

The Bank ensures the best terms for Client while Trading also through checking the correctness of price proposed to the Client according to collected market data used for the price estimate of the specific Transaction and, if possible, by comparing it with similar or comparable trades; it also introduces other quality control procedures of provided Transactions terms and conditions. These procedures are based on:

- internal regulations requiring trading under current market conditions (arm's length),
- separation of functions of the trader responsible for communication with the Client and executing the order and the trader responsible for managing the Bank's market risk,
- Product Control reports for trades with value which, at the end of the day at which they were concluded, exceeded the monitored limit (Day 1 P&L report), and which is aimed at escalating trades which could be made under off-market conditions,
- escalations from other control systems as UNO, which monitors the margin applied in currency trades, and Trader Controls, which focuses on monitoring conduct risk areas – outputs from both systems are assessed daily or monthly and are subject to the approval of the relevant manager or possible remedial measures.

## 5. SPECIAL ORDER

If the Bank receives a special order from the Client with respect to the execution of the given order, it shall follow such special order. **Nevertheless, in such case, the Bank may be prevented from executing the order according to the Rules and shall not be held liable for not acting according to the Rules**, although only to the extent to which the Bank accepts and follows the relevant special order of the Client. This means that the Rules shall apply to such order only with respect to appropriate factors (as described above in Section 4 hereof) and only to the extent to which they are not affected by the Client's special order.

Example:

- If the Client, through its special order, determines a specific time or deadline for the execution of the order, the Bank shall execute the order within such time or deadline on best terms which are available at the relevant time, but will not be responsible for the timing of the execution or other impacts on the price and for other factors affected by the special order.

## 6. SETTLEMENT VENUES, COUNTERPARTIES AND SETTLEMENT

In the context of these Rules, the settlement venue shall be understood as the venue for order execution. While Trading, the Bank shall always act as the counterparty to the Client and, therefore, the primary point of transfer shall always be the Bank.

For the sake of overall transparency towards the Client, the Bank states that it shall, in the case of Back-to-Back trading, execute mirror trades with Citibank N.A., Citigroup Global Markets Inc. or other Citigroup company ("**Counterparty**"). The terms of the Back-to-back trades depend on the terms of mirror trades executed with the Counterparty since the Bank provides the Client with the same terms for the Back-to-Back Trade with the added margin for the Transaction execution. Due to this fact, the Bank relies heavily upon the Counterparty while fulfilling its obligations to continuously achieve the best possible results while executing the Clients' orders. When selecting the Counterparty or other counterparties, the Bank takes the following factors into account (in descending order of importance):

- prices of mirror trades, including factors possibly affecting the prices of Transactions although not caused by the market risk related to the investment instruments, such as potential transaction costs of alternative trades, achieved contractual terms and conditions including the approved scope of engagement and assurance provision, settlement costs, degree of the counterparty's access to other settlement venues, and costs the Bank would need to spend in order to achieve similar access and which would finally prove to increase the price of Transactions made with the Clients,
- degree of available liquidity including the ability to execute high volume trades,
- promptness of execution of mirror trades,
- settlement quality,
- quality of other related services provided by the counterparty,
- perceived credibility, reputation and financial stability of the counterparty,
- previous experience with the counterparty.

The Bank executes the Back-to-Back Transactions when Trading with the Client in:

- foreign exchange options,
- interest rate options,

The Citigroup companies, of which the Bank is a member, show long-term material global market share and achieve a high level of efficiency in executing trades. In selecting intra-group trading channels, the Bank builds on the exclusive approach to highly competitive prices which it achieves here, broad base of counterparties with which it trades directly or via other group members outside of the regular market and agrees with them on contractual and settlement conditions, and on other synergies resulting from the worldwide significant market share of Citigroup and infrastructure capacities. These circumstances grant the Bank the possibility to rely heavily on Counterparties from the Citigroup when achieving the best terms in Back-to-Back Transactions for its Clients.

The Bank is a member of Centrální depozitář cenných papírů, a.s. (hereinafter "**CSD**") and all transactions in registered domestic securities are settled through CSD, unless otherwise stated hereinbelow. The Bank is also a direct participant in the Short-Term Bonds System run by the Czech National Bank (hereinafter the "**SBS**") and all transactions with domestic public short-term bonds are settled in accordance with the rules of SBS. Any and all transactions in collective registered domestic securities are settled by the Bank using the relevant investment fund management companies, i.e. by relevant registration in relevant securities account in a separate register of investment instruments (registered domestic collective investment securities) and, if appropriate, in a register linked to the separate register of investment instruments.

The Bank settles the executed trades made with the foreign securities through the Clearstream system operated by Deutsche Börse AG. Detailed information on the method of settlement in particular settlement systems depends on the type of investment instrument being settled. Upon the Client's request for information on how its investment instrument is settled, the Bank shall provide the Client with detailed information (e.g. about the moment when the settlement process is irrevocable, etc.).

The Bank is the Primary Dealer (PD) of the Czech government securities and participates on its behalf in primary auctions of the Czech government bonds. The Bank is also a member of the **MTS Czech Republic** platform, the members of which are the Primary dealers of the Czech government bonds and act as the market makers for government bonds of the Czech Republic.

The Bank as the Client's counterparty executes the Client's instructions outside a trading venue (regulated European market, multilateral trading facility or organized trading facility) and the Client is therefore exposed to the Bank's credit risk in connection to the executed Transactions. Settlement of Client's receivables arising from the Transactions shall depend on the Bank's ability to settle the corresponding debt. In case of insolvency or other failure on the part of the Bank, such Client's receivable may be settled only partially or not at all. Under certain conditions, the claim may be written-off or converted in the case of intervention by a relevant regulator imposing measures for Bank resolution.

## **7. CONTACT DETAILS**

In case of any queries or comments concerning these Rules or the Bank's activities in accordance with these Rules the Clients are advised by the Bank to use the following contacts:

Citibank Europe plc, organizační složka  
Treasury Marketing Unit  
Bucharova 2641/14, 158 02 Prague 5  
Website: [www.citibank.cz](http://www.citibank.cz)  
Phone: 233 061 111

## **8. CONTINUOUS EVALUATION OF THE RULES**

The Bank shall continuously evaluate the efficiency of the Rules, especially the quality of execution of the orders, and correct any deficiencies without undue delay.

## **9. REVIEW OF THE RULES**

The Bank shall review the provisions of these Rules on a regular basis (no less than once a year) and immediately after the occurrence of a substantial change impacting the ability to achieve the best possible result for the Client through the execution of the order.

The Bank shall publish a notice of the changes in the conditions which may affect the execution of the orders or these Rules.

## **10. GENERAL TERMS OF ORDER PROCESSING**

The Bank shall process the Client's orders in relation to the other clients or instructions on its own account, fairly and without undue delay. To this end, the Bank has set rules for:

- prompt and accurate recording of the receipt and execution of the orders;
- prompt processing of the comparable orders of the clients sorted by the time of receipt, except where prevented by the nature of the order, the current situation on the market or the Client's interest;
- due settlement of the order;
- prompt and accurate distribution of investment instruments, the received funds and costs incurred for commingling of several clients' orders or commingling the clients' orders with those of the Bank, on the Bank's own account (see also Part 11 below).

Details are stipulated in the special Agreement between the Bank and the Client, or they shall be communicated to the Client in any other suitable manner in accordance with the relevant special Agreement. Further information shall be communicated by the Bank at the Client's request.

## **11. COMMINGLING OF ORDERS**

The Bank is entitled to commingle the orders (i.e. to execute the Client's order along with a trade on the Bank's own account or with an order from another client) if:

- a) it is unlikely that the commingling of orders would be disadvantageous for any client whose order is to be commingled; and
- b) the Bank distributes the payments and liabilities out of the executed commingled order in accordance with the relevant internal policy of the Bank.

Although the Bank shall commingle the client's order only if the commingling seems unlikely to be disadvantageous for the client in advance, in individual cases, the commingling with respect to the relevant order may prove to be disadvantageous.

If the Client's commingled order and the trade at the Bank's own account were executed only in part, the Bank shall preferentially assign the Client its payments and relevant liabilities out of the commingled order unless the Bank is able to substantiate that the commingled order was executed on more favorable terms than would have likely been achieved if executing orders separately, or that it would not be executed at all. If this is substantiated by the Bank, the Bank may distribute the payments and liabilities out of the commingled order on a *pro rata* basis. The Bank has, as part of the internal regulation, procedures in place that prevent the trades on own account concluded along with client's orders to be reallocated in a way that would harm the client.

## **12. FINAL PROVISIONS**

This document is effective only in relation to the Bank's business operation in the Czech Republic.