

Commercial Policy for Nordea as a Systematic Internaliser

1 October 2018

This Commercial Policy for Nordea Bank Abp (“Nordea”) as a Systematic Internaliser (the “Commercial Policy”) has been approved on 3 January 2018

1. Background

Under 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 (“MiFIR”) a systematic internaliser is defined as an investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a regulated market, a multilateral trading facility or an organised trading facility without operating a multilateral system.

There are certain quantitative requirements pertaining to the definition above which require an investment firm to act as systemic internaliser. There is also a possibility for an investment firm to opt-in as a systematic internaliser in certain financial instruments or groups thereof. As a systematic internaliser – whether by fulfilling the quantitative requirements or by opting in – Nordea has the obligation to make quotes available to its customers and the public in instruments considered liquid. As a systematic internaliser, Nordea is further under an obligation to enter into transactions based on a given quote in such instruments but may limit the number of such transactions. For instruments considered to be illiquid there is an obligation to make the quotes available to customers on request, but that obligation may be waived for non-equity instruments provided certain requirements are fulfilled.

2. Purpose of the Commercial Policy

This Commercial Policy primarily sets out Nordea’s standards for governing access to quotes as required by MiFIR. Further, the Commercial Policy sets out certain other particulars that are relevant for a customer to be aware of. In addition to what is stated in the Commercial Policy, the regulatory requirements in MiFIR and implementing legislation will apply to the quotes.

3. Scope

Nordea is systematic internaliser in the financial instruments listed in each Appendix.

The obligations as systematic internaliser apply only to instruments considered to be traded on a trading venue (as defined in MiFIR). They are not applicable to primary market transactions such as issuance, allotment or subscription for securities.

4. General on quotes

Any quote provided by Nordea shall be such as to ensure that Nordea complies with its obligations according to its Execution Policy and shall reflect prevailing market conditions in relation to prices at which transactions are concluded for the same or similar financial instruments on a trading venue. However, Nordea may, in justified cases, execute orders at a better price provided that the price falls within a public range close to market conditions.

5. Availability and publicity of quotes

Quotes are provided to customers by Nordea in the manner described in each relevant Appendix, which also sets out how quotes can be accessed by customers.

Quotes are made public by Nordea in the manner described in each relevant Appendix. Nordea reserves the right to charge a fee for access to quotes.

6. Updates and validity of quotes

Each quote may be updated at any time and may be withdrawn under exceptional market conditions.

7. Number of transactions on each quotes

Nordea may limit the number of transactions Nordea undertakes to enter into with a customer based on a quote to one transaction, which includes the original requesting customer.

8. Availability

This Commercial Policy is made available to clients on the following website: <https://nordeamarkets.com/trade-conditions/>. The quotes in different instruments may be published on different websites.

9. Revision

The Commercial Policy and its Appendices are subject to revision on an annual basis and in between such regular revision where material changes to Nordea's systematic internaliser status occurs or otherwise when Nordea deems it necessary to make any changes.

Commercial Policy Appendix

Interest Rate Derivatives

3 January 2018

1. Products in Scope

Nordea is systematic internaliser in the following Interest Rate Derivatives (“IRD”):

- All interest rate derivatives that are traded on a trading venue

Nordea will provide firm quotes on the website for a subset of IRDs, specifically where Nordea trades on a bilateral basis in IRDs defined as liquid and traded on a trading venue. For liquid IRDs traded on a trading venue in sizes below the regulatory specified notional threshold size specific to the instrument (“SSTI”), where Nordea does not make firm quotes available, Nordea will only trade those on a trading venue.

2. Liquid instruments

Nordea will with respect to IRDs fulfil its obligations as systematic internaliser by publishing “base prices” on the website specified in section 9 below. Base prices are defined as the price Nordea would offer to a customer with no counterparty credit risk or other customer specific considerations (including current derivatives portfolio and funding implications) for sizes up to the SSTI for the relevant IRD. The rationale for this is that for IRDs there are very rarely two customers that would either want to enter into the same transaction at the same time or would be given the same price.

To ensure the best possible customer service and experience, Nordea will therefore provide continuously updated base prices in the IRDs in scope. This will allow customers to understand the customer neutral base price at all times and thereafter contact Nordea Sales to get their individual price including also the customer specific costs and charges.

Nordea will allow access to the quotes for all customers, who have access to the website with quotes. Access to this website is free and available without login details.

Nordea may refuse to enter into or discontinue business relationships with customers on the basis of commercial considerations, including but not limited to the customer’s credit status, the counterparty risk and the final settlement of the transaction.

3. Illiquid instruments

For illiquid IRDs, the main rule is to disclose quotes to customers on request. Nordea has, however, been granted a waiver from this obligation from the Swedish Financial Supervisory Authority. This means that Nordea will in principle not be under an

obligation to disclose quotes in illiquid IRDs.

4. Publication of quotes

Nordea will make quotes public for liquid IRDs up to the size of SSTI the same way as is described in 2. above. Since using a proprietary arrangement, quotes will be provided in a machine-readable format as well as in a human-readable format. Hence, (a) the content of the quote shall be in a format which can be understood by the average reader, and (b) Nordea's homepage contains clear instructions for accessing the quote.

Access to this website is free and available without login details. Nordea is at present not charging a fee for access to quotes with respect to IRDs.

5. Updates and validity of quotes

Nordea will always publish the latest base price, on which the customer can trade (subject to customer specific costs and charges). The prices may be updated by Nordea at any time.

Nordea may withdraw a quote in case of exceptional market conditions.

6. Transactions based on quotes

Nordea undertakes to enter into transactions under the published base price with another customer to whom the quote is made available, adjusted for the customer specific costs and charges, when the quoted size is at or below the SSTI. Nordea will reserve the right to transact only a single transaction on any given quote, if Nordea deem that it would otherwise expose itself to undue risk.

7. Packaged transactions

For quotes for package transactions that include at least one IRD, Nordea will make available and publish or disclose upon request base price quotes for the package as a whole. Depending on whether the package as a whole is considered liquid or not, Nordea will treat the package in line with 2 and 4 above or 3 above, respectively.

8. Trading hours

Nordea will fulfil its obligation as a systematic internaliser during normal trading hours for IRDs.

9. Website

Quotes are provided on the following website:

<https://e-markets.nordea.com/#!/si-quotes>

Commercial Policy Appendix

FX Derivatives

3 January 2018

1. Products in Scope

Nordea is systematic internaliser in the following FX Derivatives:

- All FX Derivatives that are traded on a trading venue

2. Illiquid instruments

For illiquid FX Derivatives, the main rule is to disclose quotes to customers on request. Nordea has, however, been granted a waiver from this obligation from the Swedish Financial Supervisory Authority. This means that Nordea will in principle not be under an obligation to disclose quotes in illiquid FX Derivatives. As all FX Derivatives are considered illiquid Nordea will not make available or public quotes generally.

3. Packaged transactions

For quotes for package transactions that include at least one FX Derivative, Nordea will disclose upon request base price quotes for the package as a whole. Nordea will treat the package in line with 2 above.

4. Trading hours

Nordea will fulfil its obligation as a systematic internaliser during normal trading hours for FX Derivatives as per the following: 24 hours a day starting Monday 5.00 a.m. Sydney time until Friday 5.00 p.m. New York time. Permanent closing days are, except Saturdays and Sundays, Christmas Day (25 December) and New Year's Day (1 January).

Commercial Policy Appendix

Bonds

3 January 2018

1. Products in Scope

Nordea is systematic internaliser in the following bonds:

- All bonds that are traded on a trading venue

Nordea will provide firm quotes on its website for a subset of bonds, specifically where Nordea trades on a bilateral basis with non-professional customers in bonds defined as liquid and traded on a trading venue. For liquid bonds traded with professional customers and eligible counterparties in sizes below the regulatory specified notional threshold size specific to the instrument (“SSTI”), Nordea will make its firm quotes available to the Bloomberg APA.

2. Liquid instruments

With respect to bonds traded with non-professional customers, Nordea will fulfil its obligations as systematic internaliser by publishing “base prices” on the website specified in section 9 below. Base prices for bonds are defined as the price Nordea would offer to a customer with no other customer specific considerations for sizes up to the SSTI for the relevant bond class.

To ensure the best possible customer service and experience, Nordea will therefore provide continuously updated base prices in bonds. This will allow customers to understand the customer neutral base price at all times and thereafter contact Nordea Sales to get their individual price including also the customer specific costs and charges.

Nordea will allow access to the quotes for all customers, who have access to the website with quotes. Access to this website is free and available without login details.

Nordea may refuse to enter into or discontinue business relationships with customers on the basis of commercial considerations, including but limited to the customer’s credit status, the counterparty risk and the final settlement of the transaction.

With respect to bonds traded with professional customers and eligible counterparties, Nordea will fulfil its obligations as systematic internaliser by publishing its firm quotes to the Bloomberg APA.

3. Illiquid instruments

For illiquid bonds, the main rule is to disclose quotes to customers on request. Nordea has, however, been granted a waiver from this obligation from the Swedish Financial Supervisory Authority. This means that Nordea will in principle not be under an obligation to disclose quotes in illiquid bonds.

4. Publication of quotes

Nordea will make quotes public for liquid instruments up to the size of SSTI the same way as is described in 2 above. For the part using a proprietary arrangement, quotes will be provided in a machine-readable format as well as in a human-readable format. Hence, (a) the content of the quote shall be in a format which can be understood by the average reader, and (b) Nordea's homepage contains clear instructions for accessing the quote. For the part using an APA, quotes will be provided in a machine-readable format.

Access to this website is free and available without login details. Nordea is at present not charging a fee for access to quotes with respect to bonds.

5. Updates and validity of quotes

Nordea will always publish the latest base price, on which the customer can trade (subject to customer specific costs and charges). The prices may be updated by Nordea at any time.

Nordea may withdraw a quote in case of exceptional market conditions.

6. Transactions based on quotes

Nordea undertakes to enter into transactions under the published base price with another customer to whom the quote is made available, adjusted for the customer specific costs and charges, when the quoted size is at or below the SSTI. Nordea will reserve the right to transact only a single transaction on any given quote, if Nordea deem that it would otherwise expose itself to undue risk.

7. Packaged transactions

For quotes for package transactions that include at least one bond, Nordea will make available and publish or disclose upon request base price quotes for the package as a whole. Depending on whether the package as a whole is considered liquid or not, Nordea will treat the package in line with 2 and 4 above or 3 above, respectively.

8. Trading hours

Nordea will fulfil its obligation as a systematic internaliser during normal trading hours for bonds.

9. Website

Quotes are provided on the following website:

<https://e-markets.nordea.com/#!/si-quotes>, as well as on the website of the Bloomberg APA.

Commercial Policy Appendix Equities

3 January 2018

1. Products in Scope

Nordea is systematic internaliser in the following financial instruments:

- All shares that are traded on a trading venue in Denmark, Finland, Sweden and Norway.
- All ETF that are traded on a trading venue in Denmark and Sweden.

2. Liquid instruments

With respect to shares and ETFs, Nordea will fulfil its obligations as systematic internaliser by publishing quotes on the website specified in section 5 below.

Nordea will allow access to the quotes for customers of Nordea. Nordea may refuse to enter into or discontinue business relationships with customers on the basis of commercial considerations, including but not limited to the customer's credit status, the counterparty risk and the final settlement of the transaction.

3. Illiquid instruments

For illiquid shares and ETFs, Nordea will disclose quotes to customers on request.

4. Trading hours

Nordea will fulfil its obligation as a systematic internaliser during the normal trading hours for the relevant regulated market where the share or ETF is traded.

5. Website

Quotes are provided on the website of Cboe Systematic Internaliser Quote Service.