

## **INFORMATION FOR CUSTOMERS**

### **Concerning the Investment Services Provided by Raiffeisen Bank Zrt.**

**Effective as of 16 December 2022**

## **1. Introduction**

In several countries of the European Union (EU), the Markets in Financial Instruments Directive ("MiFID") entered in force on 1 November 2007, and the implementation of the same in Hungary was adopted by the Hungarian Parliament on the date of 19 November 2007. Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing Their Activities (the "Investment Firms Act") entered in force of the date of 1 December 2007.

Changes seen in the financial markets over the recent years have made a review of the MiFID regime necessary, therefore the Commission made a proposal for the amendment of the MiFID Directive (**MiFID II**) as well as for the introduction of a regulation directly applicable in the member states (**MiFIR**).

The purpose of the **MiFID II Directive** is to strengthen the uniform European investor protection rules, in the interest of which common rules are introduced for the licensing and operating terms of investment firms, and also further obligations are prescribed for banks concerning the ex-ante and ex-post information of customers.

The purpose of the **MiFIR Regulation** is primarily to strengthen and extend the effective transparency rules concerning trading.

As a part of the MiFID II regime starting from 3 January 2018 further to the MiFIR Regulation, two delegated regulations as well as the implementing norms of the MiFID II and MiFIR EU legal sources—so-called RTS-s (regulatory technical standards) and ITS-s (implementing technical standards)—are also directly applicable in Hungary.

The Directive and the Regulation together constitute the legal framework that uniformly ensures a higher level of protection for investors and the transparency of the markets in Europe.

The changes brought by the MiFID II are applicable throughout the European Union starting from 3 January 2018.

On 3 January 2018 the amendments of the Investment Firms Act and the Capital Market Act implementing the statutory requirements of the MiFID II Directive entered into force, as well as the NGM decrees concerning incentives (15/2017) and the product approval process (16/2017), and the MNB decree on the requirements concerning professional skills and competencies (37/2017).

One of the most important requirements of the MiFID regime is that investment firms operating in the EU must inform their customers in detail, in a uniform manner and with a uniform content, both before the conclusion of the agreement concerning investment services, as well as thereafter.

As far as Customers are concerned, the regime affects the following areas in particular:

**(1) Development of categories of clients**

**(2) Assessment of the customers' risk tolerance and market knowledge**

**(3) Obligation of "best execution"**

In accordance with the pertinent requirements of the Investment Firms Act, in this document Raiffeisen Bank Zrt. (the "Bank") summarises the most important information concerning the investment services provided by it, which information you might need before using the relevant service. This prospectus does not include all information that might be important for you in connection with the use of the investment services, and furthermore it does not include the terms of contract concerning the service either.

Due diligence was taken by the Bank when completing this prospectus including ex-ante information, nevertheless it might occur that you have questions concerning the interpretation of the data and information included in the material, or need further information that is not included in the prospectus to make your investment decision on an informed basis. In such case you are kindly requested to contact any of our colleagues dealing with investment services at our branches, who will be pleased to help you, or call our telephone Customer service Raiffeisen Direkt at phone number 06-80-488-588.

## **2. Basic information on Raiffeisen Bank Zrt.**

### **2.1 Major data of the Bank**

Name: Raiffeisen Bank Zártkörűen Működő Részvénytársaság (Raiffeisen Bank Private Limited Company)

Abbreviated name: Raiffeisen Bank Zrt.

Registered office: 1133 Budapest, Váci út 116-118.

Mailing address: 1133 Budapest, Váci út 116-118.

Company registration number: 01-10-041042

Registering court: Budapest Metropolitan Court as Companies Registry

Central phone number: 06-1-484-4400

Central facsimile number: 06-1-484-4444

Phone number of Raiffeisen Direkt telephone Customer service: 06-80-488-588

Internet website: [www.raiffeisen.hu](http://www.raiffeisen.hu)

### **2.2 Language of communication**

Unless the agreement between the parties provides otherwise, the language of communication is Hungarian. If in accordance with the agreement between the Bank and the Customer the language

of communication may be both Hungarian and a foreign language, in the case of any difference in interpretation the Hungarian version shall prevail.

### **2.3 Method and instrument of communication with the Customer, including the method and instrument by which orders are sent and received**

The Bank keeps contact with the Customer in the following ways, depending on the terms & conditions of the contract concerning the relevant service:

- in writing;
- on the phone;
- by facsimile;
- in other durable media (e.g. e-mail or other electronic channels);
- in branches, in-person either orally or in writing;
- via announcements (disclosed at the branches and via the Bank's internet website).

The detailed rules of contact, as well as of the sending and receipt of orders are set out in Section II.4 of the Bank's Business Conditions for Investment Services, which is available at our website as well as in our branches.

### **2.4 Supervisory authority**

Name: National Bank of Hungary

Registered office: 1054 Budapest, Szabadság tér 8–9.

Central mailing address: Magyar Nemzeti Bank, 1850 Budapest

Central phone number: (+36 1) 428-2752

Central facsimile number: (+36 1) 429-8000

Central e-mail: [info@mnbb.hu](mailto:info@mnbb.hu)

Website: <http://www.mnbb.hu>

## **3. Categorisation of Customers**

In the scope of the Bank's investment services and ancillary investment services activity, the Bank is obligated prior to the conclusion of the agreement to rate its contracting party in accordance with the Investment Firms Act, and assign each to one of the following categories:

**(i) Retail Clients,**

**(ii) Professional Clients,**

**(iii) Eligible Counterparties.**

The Investment Firms Act defines item-by-item what kind of criteria the Customer must satisfy in order to belong to either of the above categories.

Prior to the provision of investment services, the Bank shall rate the contracting party in each case where in accordance with the registries of the Bank the Customer has not been assigned yet to any category.

Upon the conclusion of the agreement, the Bank shall notify its existing customers in writing of the category into which the Customer has been assigned.

**The Investment Firms Act provides an opportunity for the Customer to request its categorisation to be changed. For more details on changing the client category can be found in section 4 of this document.**

### 3.1 Retail Clients

Retail Clients are all Customers (private individuals, enterprises and institutions) that do not qualify as Professional Clients or Eligible Counterparties belong here. For Retail Clients, the most detailed information is to be provided; the highest protection to be ensured.

### 3.2. Professional Clients

Professional Clients have a wider range of knowledge and experience concerning investment services and products compared to Retail Clients. Therefore they do not need to be provided the detailed information characteristic of the Retail client category, and the Bank's obligations to provide information to and obtain information to the Professional Client are much more restricted.

The following entities may fall into the category of Professional Clients:

- investment firms,
- commodities brokers,
- credit institutions,
- financial enterprises,
- insurance companies,
- investment funds and management companies of such funds,
- undertakings for collective investment,
- venture capital funds and management companies of such funds,
- private pension funds and voluntary mutual insurance funds,
- local enterprises, i.e.
  - in respect of specific financial instruments or the relevant derivative financial instruments the entities trading with such financial instruments with a view for the fulfilment of or in relation to the obligations set out in the Act on participation in the Emissions Trading System and in the implementation of the Effort Sharing Decision,
  - in respect of energy derivatives as defined in the law, the entities trading in natural gas or electricity,
- the central depository,
- employers' pension schemes,
- exchanges,
- central counterparties,
- any other enterprise acknowledged as such by the state where it is located,
- any **large undertakings** that satisfy at least two of the following three criteria (based on the data included in their latest audited stand-alone accounting statements, calculated at the official foreign exchange rates quoted by the National Bank of Hungary as of the statement date of the balance sheet):
  - balance sheet total of at least EUR 20 million,
  - net sales revenue of at least EUR 40 million,
  - own funds of at least EUR 2 million,
- the following key institutions:
  - the government of any EEA member state,
  - regional governments of any EEA state,

- ÁKK Zrt., or any other organisation responsible for the management of the sovereign debt of any other EEA member state,
- the National Bank of Hungary, the central bank of any other EEA member state, and the European Central Bank,
- the World Bank,
- the International Monetary Fund,
- the European Investment Bank,
- any other person or organisation primarily involved in investment activities, including special purpose vehicles.

### **3.3 Eligible Counterparties**

A narrow segment of Professional Clients qualify as Eligible Counterparties. In accordance with the Investment Firms Act, Eligible Counterparties are for example credit institutions, investment fund managers, insurance companies, and certain large corporations that satisfy the relevant statutory criteria. In their case, the depth and extent of the information to be provided is the lowest.

In accordance with the requirements of the law, the Bank assigns all its Customers to either the category of "Retail Clients", or to that of "Professional Clients". The institutions that are no customers of the Bank, but are in contact with the Bank in the scope of the fulfilment or execution of Customer orders, or of own account trading, are assigned to the category of "Eligible Counterparties".

## **4. Changing of the Customer category**

Customers should be aware that they are entitled any time to request changing their Customer category as follows.

### **4.1 Reclassification of Retail Clients to Professional Clients**

Upon the request of a Retail Client, the Bank may agree to classify the given Customer to a Professional Client if the Customer satisfies at least two of the following eligibility criteria:

- over the year preceding the date of the request, the Customer has carried out at least ten transactions per quarter on average, each worth EUR 40,000, calculated at the official foreign exchange rate quoted by the MNB on the date of execution of the transaction, or transactions with a total worth of EUR 400,000 throughout the given year,
- the portfolio of financial instruments and deposits of the Customer together exceeds EUR 500,000, calculated at the official foreign exchange rate quoted by the MNB on the day preceding the date of submission of the request,
- the Customer has been employed or worked in another legal arrangement continuously for a period of at least one year—or was employed or worked for at least one year within a period of 5 years preceding the date of examination of the eligibility criteria—at a(n)
  - investment firm,
  - commodities broker,
  - credit institution,
  - financial enterprise,
  - insurance company,
  - investment fund manager,
  - undertaking for collective investment,
  - venture capital fund manager,

- private pension fund,
- voluntary mutual insurance fund,
- clearing house,
- central depository, or
- employers' pension scheme,
- central counterparty, or
- exchange,

and his/her job or duties there presuppose some knowledge connected to the financial instrument or investment services activity included in the agreement between the Bank and the Customer.

The following activities should be carried out for the reclassification:

- The reclassification request should be submitted to the Bank in writing.
- Upon receipt of the request, the Bank shall inform its Customer in writing on the differences between the rules concerning Professional Clients and those concerning Retail Clients, and the consequences of the reclassification, lowering the level of protection.
- In a document separate from the account and securities account opening document, the Bank shall attach as separate documents the reclassification request, as well as a written declaration by the Customer to the effect that he/she has understood and taken note of the information specified in the previous paragraph and he/she is aware of the consequences of losing the higher level of protection.

The Customer may request its reclassification in writing, only and exclusively in respect of all financial instruments and transactions uniformly.

On the reclassification, the Bank shall issue a confirmation, and send it to the Customer. The date of registration and entry in force of the reclassification shall be the date specified in the confirmation. The new category shall concern all investment services and ancillary services provided by the Bank, as well as all transactions and financial instruments.

Under the Investment Firms Act, a Retail Client may not be reclassified as an Eligible Counterparty.

### **4.2 Reclassification of Professional Clients to Eligible Counterparty**

A Professional Client may be reclassified to an Eligible Counterparty only if the Customer meets the statutory requirements specified in the Investment Firms Act.

The following activities should be carried out for the reclassification:

- The reclassification request should be submitted to the Bank in writing.
- Upon receipt of the request, the Bank shall inform its Customer in writing on the differences between the rules concerning Professional Clients and those concerning Retail Clients, and the consequences of the reclassification, lowering the level of protection.
- In a document separate from the account and securities account opening document, the Bank shall attach as separate documents the reclassification request, as well as a written declaration by the Customer to the effect that he/she has understood and taken note of the information specified in the previous paragraph and he/she is aware of the consequences of losing the higher level of protection.

The Customer may request its reclassification in writing, only and exclusively in respect of all financial instruments and transactions uniformly.

The Bank shall inform the Customer on the registration and date of entry in force of the reclassification in writing. The reclassification shall concern all investment services and ancillary services provided by the Bank, as well as all transactions and financial instruments.

#### **4.3 Reclassification of Eligible Counterparties to Retail Clients or Professional Clients, furthermore reclassification of Professional Client to Retail Clients**

A Customer qualifying as an Eligible Counterparty may request its reclassification to either a Retail or a Professional Client, furthermore Professional Client may request its reclassification to Retail Client.

The following activities should be carried out for the reclassification:

- The reclassification request should be submitted to the Bank in writing.
- Upon receipt of the request, the Bank shall inform its Customer in writing on the differences between the rules concerning Professional Clients and those concerning Retail Clients, and the consequences of the reclassification, raising the level of protection.
- In a document separate from the account and securities account opening document, the Bank shall attach as separate documents the reclassification request, as well as a written declaration by the Customer to the effect that he/she has understood and taken note of the information specified in the previous paragraph and he/she is aware of the consequences of losing the higher level of protection.

The Customer may request its reclassification in writing, only and exclusively in respect of all financial instruments and transactions uniformly.

The Bank shall inform the Customer on the registration and date of entry in force of the reclassification in writing. The reclassification shall concern all investment services and ancillary services provided by the Bank, as well as all transactions and financial instruments.

## **5. Obtaining ex-ante information on the Customer**

In accordance with the Investment Firms Act. and the investor protection provisions of Commission Delegated Regulation (EU) 2017/565 the Bank asks all Customers to complete a MiFID Investor Questionnaire (Appropriateness Test and / or Suitability Test) prior to the provision of investment services.

In accordance with the requirements of Article 44-45 of the Investment Firms Act, at the conclusion of the relevant contract, but latest prior to providing its investment advice or portfolio management services the Bank must obtain information on the knowledge of financial instruments, risk tolerance, income situation, investment goals *and sustainability preferences* of the Customer or the person acting on behalf of the Customer. The Customer provide such information to the Bank by completing a so-called Suitability and Appropriateness Test, which is evaluated by the Bank after the completion. The purpose for completing the test is to do the evaluation of suitability i.e. to enable the Bank to offer—on the basis of the information disclosed by the Customer—such financial products to the Customer or the person acting on behalf of the Customer as are adjusted to the circumstances of the Customer or the person acting on behalf of the Customer and are suitable to meet their investment

expectations. The purpose for the evaluation of the Suitability and Appropriateness Test is to enable the Bank to act in the interest of the Customer as much as possible. As it is not required by legal requirements to complete the Suitability Test for all investment services, Customers who do not participate in investment advice and portfolio management services decide whether to complete the Suitability Test and give consent to the processing of personal data provided in the test or not. If the Customer gives consent to the completion of the Suitability Test the Bank can process the data beyond the scope of mandatory data management, however, the Customer may withdraw his/her consent at any time without explanation to the Bank.

To use non-advisory services that does not include investment advice and portfolio management, the Bank requests the Customer to complete the Appropriateness Test in order to do the evaluation of Appropriateness i.e. to examine whether the Customer has appropriate product knowledge and experience regarding the chosen investment product.

The Bank does not provide 'execution only' service.

The Suitability and/or Appropriateness Test completed by the Customer shall be valid for 3 years from the date of completion. However, it is recommended to inform the Bank if the information disclosed by the Customer becomes obsolete and complete new Suitability and/or Appropriateness Test, so that the Bank may act in the best interest of the Customer in each case.

The privacy policy related to the ex-ante information on the Customers (MiFID Investor Questionnaires) is available on the Bank's website at the following location: [Privacy\\_Policy\\_concerning\\_the\\_provision\\_of\\_investment\\_and\\_ancillary\\_services.pdf](#) (raiffeisen.hu)

## **5.1 Suitability Test**

In the scope of the Suitability Test, the Bank evaluates whether the services and products offered by it are suitable to implement the Customer's investment goals, whether the measure of risks connected to the offered services and products meets the Customer's financial situation and loss bearing capacity, and whether the Customer has sufficient experience and knowledge to understand and assess the nature of the services and products and the related risks, or not.

In the Suitability Test, the Bank obtains information on the following:

- Within the framework of the Customer's investment objectives:
  - the customer's intention for the investment period,
  - the customer's risk preferences, risk profile (risk appetite and loss-bearing capacity),
  - the customer's investment objective,
  - *sustainability preferences and*
  - *sustainability factors.*
- within the framework of the Customer's financial situation:
  - the amount and source of the customer's regular income,
  - the size of the customer's assets (including liquid assets, fixed assets and real estate), and
  - the amount and source of the customer's regular financial obligation.

*Customer information on sustainability for the use of investment services can be available on the following website of the Bank: [Customer information on sustainability](#) (www.raiffeisen.hu).*

*The document provides information on how the Bank takes into consideration the client's sustainability preferences in its advisory process, defines and describes sustainability preferences and factors.*

If the Customer gives incomplete answers to the questions, and therefore the Bank does not get the information necessary to carry out the Suitability Test in full, or if the evaluation of the information leads to a result on the basis of the evaluation methodology elaborated by the Bank that does not make it possible for the Bank to provide the service requested in respect of the relevant financial product to the Customer, then in accordance with the provisions of the Investment Firms Act the Bank is not in a position to provide investment advice or portfolio management service to the Customer.

Where the Bank does not get the information necessary to carry out the Suitability and Appropriateness Test in full, or if the evaluation of the information leads to a result on the basis of the methodology elaborated by the Bank that does not enable the Bank to provide the service requested in respect of the relevant financial product to the given Customer, then in accordance with Art. 54 (1) d) and e) of the Investment Firms Act the Bank shall refuse to provide investment advisory or portfolio management services.

## **5.2 Appropriateness Test**

In the scope of the Appropriateness Test, the Bank identifies which services, transactions and financial instruments the Customer is familiar with, examines the features of the transactions executed by the Customer, and furthermore examines whether the Customer has relevant financial knowledge or professional experience, so that the Bank may in fact provide services connected to transactions or financial instruments that are really appropriate for the Customer.

In the Appropriateness Test the Customer provides information on:

- o the Customer's education, occupation, or previous occupation relevant to the assessment.
- o types of services, transactions and financial instruments known to the Customer,
- o the nature, scale and frequency of its transactions in financial instruments and the length of the period over which they are executed.

If as a result of the Appropriateness Test the Bank thinks that the financial instrument or transaction included in the agreement is inappropriate for the Customer, it shall call the attention of the Customer to the fact that he/she does not have sufficient product knowledge and experience.

In the absence of the completion of the Appropriateness Test, the Bank will execute the Customer's orders from time to time given for so-called non-complex products, but will not be able to ascertain whether the product is appropriate for the Customer or not.

In accordance with the Investment Firms Act completion of the Appropriateness Test is mandatory in the case of so-called complex products, and the provisions of Article 45 (1)-(3) of the Investment Firms Act are governing when examining this.

## **5.3 Target market check**

One of the main objectives of MIFID is to enhance investor protection. Therefore based on the Investment Firms Act and the NMG Decree 16/2017 the Bank maintains, operates and regularly reviews a process for the approval of each financial instrument and the approval of significant adaptations of existing financial instruments before such instruments are marketed or distributed to the Customers. It is called product governance / approval process. An important element of the

process is the definition of the target markets for products, in order the Bank offer a product that meets the customer's needs, objectives and characteristics.

The Bank shall determine the positive and negative target market of the products it issues and/or distributes. The following criteria are considered for the target market definition: MIFID Customer category, investment objective, investment horizon, risk indicator, loss bearing capacity, product knowledge and experience. The Bank shall determine the distribution strategy for each product, whether the product can be sold or marketed with providing investment advice or without advice.

*Sustainability factors, and sustainability-related objectives should be considered within the product governance requirements.*

*Bank should specify to which group of clients with sustainability related objectives the financial instrument is supposed to be distributed.*

Positive target market for a product is the investors, to whom the given product is most suitable based on the investment objectives and preferences. Negative target market for a product is the investors, to whom the given product is deliberately not recommended based on the investment objectives and preferences. The purpose of the Bank is to offer customers a product that belongs to the customer's target market.

The Bank assesses the customer's goals and preferences through the questions in the MIFID test in order to compare with the target market of the distributed product and thus offer the Customer a product that belongs to its target market.

The Bank shall carry out the target market check before the client give an order. If the product the client want to purchase is not in belongs to the target market, the Bank will warn the Customer about this.

In the case of non-advisory service, a product cannot be sold, if the Customer belongs to the negative target market of the product based on MIFID category and/or product knowledge and experience.

No product may be sold with investment advice where the Customer belongs to the negative target market of the product on the basis of any target market criterion.

## **6. Investor protection measures for Retail Clients**

### **6.1 Obtaining ex-ante information on the Customer**

In order to be able to offer the most appropriate products to its Customers, and in the course of portfolio management to set up the portfolio from the most suitable products meeting the needs of the Customers, the Bank obtains information on the risk appetite, investment goals, *sustainability preferences*, investment experiences and product knowledge of its Customers by means of the Suitability and Appropriateness Test. Detailed information on obtaining ex-ante information is provided in Section 5.

### **6.2 Provision of information prior to the conclusion of the transaction's contract**

The Bank provides the information due prior to the conclusion of the contract of the transaction as follows to its Customers:

- The rules concerning investment services activity and the management of financial instruments are set out in the Bank's **Business Conditions for Investment Services** and the **Framework Agreement for Investment Services**. The Business Conditions for Investment Services is available at the Bank's branches and in its website. This prospectus summarises all major information concerning investment services activity.
- The Bank has compiled a separate information brochure on the major features and risks of the different product types. The **Product Guide is accessible** for Customers at the Bank's branches as well as in its website.
- The fees and charges connected to the different transaction types are included in the **List of Terms & Conditions**, which is also available for the Customers at the branches, as well as in the Bank's website.
- Bank ensures that clients receive clear, fair, not misleading and comprehensible information on all costs and charges with regard to the relevant financial instrument or structured deposit and/or service, both in good time before the conclusion of a transaction and/or the provision of services (**ex-ante cost calculation**), as well as at least annually during the life of the investment (**ex-post cost calculation**).
- If providing investment advice, Bank provides **suitability report** to the client. The bank must explain how the recommended financial instrument fits the customer's information in the Customer profile. The suitability report includes an outline of the advice given and how the recommendation provided is suitable for the retail client, including how it meets the client's objectives and personal circumstances with reference to the investment term required, client's knowledge and experience and client's attitude to risk, capacity for loss *and sustainability preferences*.

### **6.3 General information about the investment services activity and the management of financial instruments (for details, see the Business Conditions for Investment Services)**

The Bank shall start executing an order when the Customer has provided the coverage necessary for the order in accordance with the provisions of the agreement.

Orders are executed in accordance with the provisions of the Bank's Execution Policy, which is available in the Bank's website and includes a summary in the Section 8 hereof.

The fulfilment of orders is confirmed by the Bank in the way specified by the Customer in the framework agreement for investment services.

The Bank is entitled to charge all costs of the fulfilment of orders on the Customer. Unless the agreement provides otherwise, fees and charges are due and payable in arrears, on the date of settlement of the order.

Executed orders are allocated by the Bank—where allocation is necessary—in accordance with its Allocation Policy set out in Section 8 hereof.

If the Customer fails to fulfil his/her payment obligation within the available timeframe, the Bank shall block the securities available in the Customer's securities account as financial collateral, and shall have the right to satisfy its claim against such collateral.

If the Customer fails to fulfil his/her obligation to deliver securities in due course, the Bank shall block the balance of the client account as financial collateral, provide the securities necessary for the fulfilment of the transaction via securities lending, and simultaneously request the Customer to fulfil

the obligation. The related costs shall be borne by the Customer. If the Customer fails to fulfil his/her obligation to deliver securities by the deadline specified in the notice, the Bank shall have the right to purchase the securities from the financial collateral.

In view for the avoidance of conflicts of interest that are detrimental for the Customer, the Bank has elaborated rules of procedure for the management of conflicts of interest. Section 9 hereof includes a summary of the Bank's Conflicts of Interest Policy.

#### **6.4 Provision of information after order execution**

The Bank informs the Customer of the fulfilment of the order in the form specified in the framework agreement with the Customer. The method of notification can be a notice sent by mail, facsimile or e-mail, or any other agreed-upon form of notice.

The Bank immediately informs the Customer about order execution, furthermore in case of difficulties in order execution.

The Bank provides order confirmation to the Customer in case of personal order. Execution confirmation shall be provided to the Customer at the latest 1 business day after the order has been executed.

The Bank informs the Customer about the credit, debit and the balance of securities account immediately after the movement has taken place.

The Bank sends monthly balance notices to its Customers in respect of their securities accounts and client accounts, showing the account balance concerning all financial instruments and cash owned by or due to the Customers as of the last day of the preceding month.

On the turnover in the securities and client accounts, the Bank prepares account turnover statements at least quarterly, sending such statements to the Customers in the way specified in the annex to the framework agreement.

The Bank shall provide the Customer (who have concluded portfolio management contract) with a monthly and yearly report on the stock and details of financial instruments and funds owned or owed by them.

#### **6.5 Information on the protection of the customers' financial instruments and cash**

When the Customer deposits his/her financial instruments or cash at the Bank, the Bank shall protect the Customer's financial instruments or cash using the following measures:

- the Bank shall manage the Customer's funds separately from its own funds as well as from those of other customers;
- it shall keep accurate records and accounts, and conduct regular reviews;
- it shall send statements to the Customer at least once a year detailing the managed assets and cash.

For its Customers using the Bank's investment services, the Bank keeps securities and client accounts. In the case of securities deposited in securities accounts, the Bank uses the securities account keeping services of Keler Zrt. and of other clearing houses, where the securities of the Customers and the

Bank's own securities are managed in separate accounts. Keler Zrt. and other clearing houses keep record of securities in omnibus accounts.

The Bank shall use the financial instrument and funds held for or belonging to their Customer for the purposes as instructed by the Customer.

The Bank may not use the financial instruments and funds they manage and those held for or belonging to the Customer as their own in any way or form, and shall provide adequate facilities to ensure that their Customer have access to their financial instruments and funds at any given time.

The Bank shall maintain their records and accounts subject to the following requirements:

- a) they must maintain their records and accounts in a way that ensures their accuracy, and in particular their correspondence to the financial instruments and funds held for clients;
- b) they must keep such records and accounts as are necessary to enable them at any time and without delay to distinguish financial instruments and funds held for or belonging to clients from their own financial instruments and funds.

If Customer's assets are held in a third party omnibus account, Customer may not have access to the same financial instruments or the full value of financial instruments or other financial instruments or securities may be returned to Customer.

If the Account containing the Customer's financial instruments or funds is or will be subject to a law outside the jurisdiction of Hungary, the Customer's rights in those financial instruments or funds may also change.

If the Bank requires the involvement of a third party in order to execute an order received from the Customer, the Bank shall be liable for its own contribution as if it had acted on its own.

### **6.6 Investor Protection Fund (BEVA)**

The Bank is a member of the Investor Protection Fund (Fund). The insurance provided by the Fund covers claims arising from the following activities pursued by a member of the Fund: acceptance and transmission of orders, execution of orders for the Customer's benefit, dealing on own account, portfolio management, custody and recording of financial instruments, and keeping of the related client account, custody management, and keeping of the related securities account, and in the case of printed securities keeping record of such securities and keeping of the client account.

Indemnification from the Investor Protection Fund is awarded on the basis of the investor's request to this effect. The Fund has the right to determine the form of such request. The Customer may file such a request within 1 year starting from the first day of claim enforcement. If the investor is unable to put forth his/her claim in due course for some excusable reason, the claim is to be lodged within 30 days of the elimination of the obstacle. If a person entitled to indemnification submits the agreement underlying the insured claim and the data necessary to certify entitlement, and the registry kept by the Bank is available, the Fund shall within 90 days of the submission of the request at the latest evaluate the investor's indemnification request.

The Fund shall pay the claim of the investor entitled to indemnification up to EUR 100,000 altogether per person and Fund member as indemnification. The measure of the indemnification paid by the Fund is 100% up to the amount of HUF 1,000,000,

The measure of the indemnification paid by the Fund above the amount of HUF 1,000,000 it is HUF 1,000,000, plus 90% of any amount in excess of HUF 1,000,000.

On the claims insured by the Fund, indemnification may be paid only and exclusively up to the measure insured by the Fund, and furthermore such claims are covered only and exclusively by the insurance provided by the Fund. When establishing the measure of the indemnification, all outstanding claims of the investor arising from the investment services provided by the Bank should be added up. The Fund shall pay the indemnification in cash. If the Bank has any outstanding claims on the Customer arising from investment services activity that are past due or becoming due by the date of payment of the indemnification, such claims should be set off against the investor's incoming claims when establishing the indemnification amount.

The insurance provided by the Fund does not cover any claims of:

- a) the State,
- b) budgetary organisations,
- c) local governments,
- d) institutional investors,
- e) mandatory or voluntary deposit insurance and institution protection fund, the Investor Protection Fund, and the Guarantee Fund of Funds,
- f) appropriated state funds,
- g) investment firms, exchange members, commodities brokers,
- h) financial institutions as defined in the Banking Act,
- i) the National Bank of Hungary,
- j) any person who is an executive officer at a Fund member, and immediate family members of such persons, or
- k) any enterprise or natural person who has a direct or indirect ownership interest or voting right of 5 percent or more in a Fund member, or any company controlled by such enterprise or natural person, or in the case of a natural person owner any immediate family member of his/hers,
- l) the auditor of the member of the Fund,  
including the claims of any foreign equivalents of the entities listed above.

Any cause specified in the last three points excludes indemnification only if the cause existed in the period from the date of conclusion of the agreement underlying the indemnification claim until the date of submission of the indemnification claim—or during a part of such period—at the Fund member in respect of which the indemnification procedure takes place. The insurance provided by the Fund fails to cover claims arising from transactions in the case of which it has been established by a final and effective court decision that the source of the investment originated from crime. The insurance provided by the Fund also fails to cover claims for money arising from transactions denominated not in EUR or any other lawful currency of the European Union or OECD member states.

## **7. The principle of best execution**

In accordance with Art. 62 (1) of the Investment Firms Act and the Art. 50 of Delegated Regulation (EU) 2017/565, the Bank is obliged to execute the Customer's order in a way that is most

advantageous for the Customer. In accordance with Art. 63 (1) of the Investment Firms Act, the Bank specifies the rules to be followed in view for the best execution of the Customer's order in its Execution Policy. The Bank's Execution Policy is available in its website [www.raiffeisen.hu](http://www.raiffeisen.hu).

The principle of best execution, in addition to general obligations to be met when delivering the service (honest, fair, professional attitude), also sets up more specific criteria for the fulfilment of the Customer's orders.

### **7.1 Best execution factors**

In judging whether the order is executed in the best possible way, the Bank examines the following major and other criteria:

- price (net price) of the financial instrument constituting the subject of the order,
- costs of the order,
- time requirement of the execution of the order,
- probability of the executability and fulfilment of the order,
- magnitude of the order,
- type of the order, or any other considerations relevant to the execution of the order.

In determining the importance of the above factors, the Bank shall take into account the following criteria:

- the customer's features, including the customer's classification as a Retail or a Professional Client,
- features of the Customer order, including whether the order includes a securities financing transaction (SFTR),
- features of the financial instruments included in the order,
- features of the execution venues where the order may be transmitted to.

### **7.2 Execution, execution venues**

The Bank identifies the execution venues that are from time to time most advantageous for the Customers on the basis of a weighting of the factors specified in the previous section.

The different execution factors are to be weighted on the basis of their importance relative to one another. This weighting requires an assessment by the Bank of how important in its opinion the different factors are for the concerned Customer. Weighting may depend on further influencing factors as well.

The list of execution venues from time to time in effect is included in Annexes No. 1 and 2 of the Execution Policy, which is available in the Bank's website. If in respect of a specific financial instrument the Bank names one possible execution venue only, in such case the execution venue shall be set as default, the Bank shall ensure the best execution by implementation at the relevant execution venue.

## 8. Allocation Policy

In accordance with the Investment Firms Act, the Bank is obliged to handle and execute orders in a prompt, fair and effective manner, free of discrimination arising from the interests of other Customers or from the Bank's own interests.

The Bank shall act in the execution of orders by the client as follows:

- a) ensure that orders executed on behalf of clients are promptly and accurately recorded and allocated,
- b) carry out otherwise comparable client orders sequentially and promptly,
- c) resolve any problems that may arise during execution as soon as possible, and they must inform the client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

The Bank is not required to execute the order given by the client immediately in the following cases:

- a) if the Bank receives other instructions from the customer, and the customer's instructions do not harm other customers' interests,
- b) if due to the characteristics of the order, or to prevailing market circumstances, this cannot be implemented,
- c) in connection with client limit orders,
- d) if it would prejudice the interests of the Customer.<sup>1</sup>

The Bank reserves the right to combine the client's orders with other clients' orders or by transactions in the Bank's own account.

The Bank shall not carry out a client order or a transaction for own account in aggregation with another client order unless 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.

The Bank draws attention to the fact, whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order.

Bank which have aggregated transactions for own account with one or more client orders shall not allocate the related trades in a way that is detrimental to a client.

Where Bank aggregates a client order with a transaction for own account and the aggregated order is partially executed, it shall allocate the related trades to the client in priority to the Bank. In the case of partial fulfilment of multiple aggregate orders of the same type, the allocation is made proportionately, so the Bank fulfils the equal treatment requirement.

Allocation policy is a part of Execution Policy, which is available in its website [www.raiffeisen.hu](http://www.raiffeisen.hu).

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<sup>1</sup> The Bank treats investment fund management and asset management companies as separate Customers, therefore after the fulfilment of the Customer order any further allocation of the orders given by them shall be done by the given investment fund manager.

## 9. Summary of the Bank's Conflicts of Interest Policy

In accordance with the provisions of the Investment Firms Act and the Delegated Regulation (EU) 2017/565, it is a fundamental requirement on the Bank to develop an efficient organisational and regulatory framework that makes it possible to prevent situations leading to conflicts of interest detrimental for the Customers and arising in connection with investment services and ancillary investment services provided to the Customers.

In view for the avoidance of situations leading to conflicts of interest, the Bank formulated an internal regulation—the Conflicts of Interest Policy—in which it firstly identified the types of such situations, and secondly elaborated different procedures for their efficient management, which procedures are periodically reviewed and checked.

The Bank is trying to ensure this way that the service provided will meet the Customer's expectations as much as possible.

The Bank endeavours to be able to appropriately and efficiently recognise and handle potential conflicts of interest. The Bank may manage potential conflicts of interest by the following methods: avoidance of specific situations, establishment of information barriers (Chinese Wall), ensuring an adequate degree of independence, and the information of the concerned Customers in an appropriate manner of the existence of potential conflicts of interest.

Raiffeisen-RBHU Holding GmbH is 100% owner of Raiffeisen Bank Zrt.-nek, Raiffeisen Bank Zrt. is the member of Raiffeisen Bank International Group. Raiffeisen Bank Zrt. is the 100%-os owner of Raiffeisen Investment Fund Management Co., Raiffeisen Bank International AG (RBI), Raiffeisen Centro Bank AG (RCB), and Raiffeisen Kapitalanlage-Gesellschaft m. b. H. (Raiffeisen Capital Management - RCM) are the members of Raiffeisen Bank International Group.

Since Raiffeisen Bank Zrt. is the distributor of the investment funds managed by Raiffeisen Investment Fund Management Co., the bonds issued by RBI, certificates issued by RCB and investment funds issued by RCM, therefore a potential conflict of interest may arise in the sale of these securities.

The Bank's Conflict of Interest Policy is available in its website [www.raiffeisen.hu](http://www.raiffeisen.hu).

## 10. Inducements

Bank receives commissions, fees or other non-monetary benefits (inducements) from third parties (except for the client or a person acting on behalf of the client) in connection with the provision of investment service or ancillary service. Any benefit or fees which permits or is necessary for the provision of investment services and ancillary services and by their nature shall not result in a conflict of interest, shall not be considered an inducement.

The Bank accepts inducements only if

- the inducement is designed to enhance the quality of the service offered to the Customer concerned,
- there is no conflict of interests between the Bank and the customer,
- the Customer is informed of the inducement.

Inducements enhance the quality of the service if

- the Customer receives an additional or higher level service (going beyond the legal minimum requirements),
- the inducement does not directly serve the benefit of the enterprise receiving it, or of its shareholders or employees, without an obvious benefit for the Customer concerned, and
- in the case of an ongoing inducement, an ongoing benefit is provided to the relevant Customer in relation to the ongoing inducement,
- the Bank is able to hold evidence (by keeping an inducement register) that the received inducement is designed to enhance the quality of the service provided to the customer.

### 10.1 Monetary inducements

Bank regularly receives fees, commissions considered a monetary inducement:

1. trailer fees: paid by investment fund management companies related to funds units held by the Bank for the distribution
2. rebates: distribution fee from issuers issue certificate and bonds

The Bank informs customers on the estimated amount of monetary inducements received from third parties in relation to the customer's funds through an ex-ante cost report. The Bank informs customers of the actual amount of inducements received in the scope of an ex-post cost report.

In the case of the provision of investment advice Bank provides the advice to the Customer on a non-independent basis. Bank retains the monetary benefits considered inducements received in connection with provision of investments services to customers, except in the case of portfolio management services. In relation to its portfolio management activity, the Bank does not accept any monetary inducement.

Inducements received on behalf of client as either professional or retail clients will be spent to enhance the quality of the services provided to the clients. As a result these inducement will be considered in the Bank's inducements register. Inducements received on behalf of eligible counterparties are not subject to inducements requirements based on MIFIDII regulation, therefore, such inducements are not included in the Bank's Inducement register.

### 10.2 Non-monetary inducements

Bank distinguishes two category within non-monetary inducements: ordinary non-monetary inducements and minor non-monetary inducements subject to different requirements.

Acceptable minor non-monetary inducements shall be reasonable and proportionate and of such a scale that they are unlikely to influence the Bank's behaviour in any way that is detrimental to the interests of the relevant client.

The following minor non-monetary inducements may be accepted from or provided to third parties by the Bank:

- information or documentation regarding financial instruments or investment services, prepared generally or specifically in respect of the situation of a client,
- written material received from third parties paid for by a (potential) corporate issuer in order to promote new issuances by the company,
- professional conferences, seminars and trainings on advantages of characteristics of a specific financial instrument or investment services,
- invitations for food and drink at reasonable price levels at business meetings, conferences, seminars,
- other minor non-monetary advantages which enhance the quality of the service provided to the client and the volume and nature of which makes it unlikely to impair Bank's duty to act in its client's interest.

Bank does not accept or provide any material that is considered as research free of charge. Low value researches, which do not contain recommendations, substantial analysis and do not constitute value added (e.g. short commentary for macroeconomics, bond markets, currencies, commodities, etc.) and/or research accessible to the public are considered minor non-monetary inducements and can be acceptable.

Any non-monetary benefits received by the Bank that are not considered to be minor will be appraised using market standard criteria according to the internal policy and classified as ordinary non-monetary inducements.

The Bank also identifies non-monetary inducements in its inducements register and in the case of ordinary non-monetary inducements, how inducements enhance the quality of services provided to customers.