

Inducements in relation to the provision of investment services/ancillary services

General information

In the course of providing investment services/ancillary services to its clients Joint-stock company "Rietumu Banka" (here referred to as Bank) may receive monetary and non-monetary benefits from third parties. Bank has the right to receive inducements in relation to investment services /ancillary services if the inducement does not impair compliance with Bank's duty to act honestly, fairly and professionally in the best interests of client and the inducement is designed to enhancing the quality of the service provided to client.

Inducements encompass various benefits that Bank pays or receives in relation to the provision of investment service /ancillary service to client. Banka categorises all inducements into the following groups:

- 1) Financial inducements include different types of payments, namely fees, commissions and other monetary benefits that Bank may receive or pay in relation to the provision of an investment service or ancillary service to client;
- 2) Non-financial inducements include non-monetary benefits such as valuable gifts, significant advantages and others that Bank pays or receives in relation to the provision of investment service /ancillary service to client;
- 3) Minor non-financial inducements include non-monetary benefits that are of a scale and nature such that they could not be judged to impair compliance with Bank's duty to act in the best interest of the client. Specific examples are listed in *Minor non-monetary benefits* section.

Inducements cannot be payments or benefits, which enable or are necessary for the provision of the respective investment services or ancillary services, including (but not limited to):

- 1) legal fees;
- 2) custody costs;
- 3) settlement and exchange fees;
- 4) regulatory levies.

Bank does not pay any inducements in relation to the provision of investment services /ancillary services to the clients.

Bank may receive and retain financial inducements in relation to the provision of investment services /ancillary services only if the inducements meet the criteria set out in the *Financial inducements* section.

Prior to the provision of investment service/ancillary service to the client, Bank must clearly disclose information about the respective payment or benefit to the client.

Financial inducements

Bank may retain financial inducements, which Bank receives in relation to the provision of an investment service/ancillary service to client, if:

- 1) the inducements are designed to enhance the quality of the service provided to client;
- 2) the inducements are clearly disclosed to the client, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant service;
- 3) the provision of the specific investment service /ancillary service is not biased or distorted as a result of the inducements;
- 4) the inducements do not give rise to a conflict of interests between Bank and the relevant client.

Bank accepts and retains financial inducements only if the inducements are designed to enhance the quality of the respective investment service /ancillary service provided to client. A fee, commission or benefit is designed to enhance the quality of the relevant service to a client only if all of the following conditions are met:

- 1) it is justified by the provision of an additional or higher level service to the client and is proportional to the level of inducements received, including the provision of access, at a competitive price, to a wide range of financial instruments that are likely to meet the needs of the client, including an appropriate number of financial instruments from third party product providers having no close links with Bank;
- 2) it does not directly benefit Bank, its shareholders or employees without tangible benefit to the respective client;
- 3) it is justified by the provision of an ongoing benefit to the client in relation to an ongoing inducement.

Where Bank receives financial inducements that do not meet the aforesaid criteria, Bank pays out the monetary benefits to the respective client by remitting them to the client's investment cash account.

Bank informs the client about the fees received for distributing the financial instruments of the following counterparties:

INVESTMENT FUNDS	AMOUNTS OF INDUCEMENT
Raiffeisen Bank International AG: for investment funds under management	up to 0.75% per annum of the value of the assets
for other funds purchased through Raiffeisen Bank International AG	up to 100% of the fee-specific interest rate which can total up to 0.75% per annum of the value of the assets

Minor non-monetary benefits

Bank may retain inducements, which Bank receives in relation to the provision of an investment service /ancillary service to the client, if:

- 1) the respective minor non-monetary benefit is capable of enhancing the quality of the respective service provided to client;
- 2) the respective minor non-monetary benefit is reasonable and is proportional to the level of minor non-financial inducements received;
- 3) the provision of the specific investment service /ancillary service is not biased or distorted as a result of the respective minor non-monetary benefit;
- 4) the respective minor non-monetary benefit is of a scale that is unlikely to influence behaviour of Bank's employees in any way that is detrimental to the interests of the relevant client;
- 5) the respective minor non-monetary benefit does not give rise to a conflict of interests between Bank and the relevant client.

An acceptable minor non-monetary benefit that can be retained by Bank is one which consists of:

- 1) information or documentation relating to investment services /products or ancillary services that is generic in nature or personalised to reflect the circumstances of an individual client;
- 2) written material from a third party that is commissioned and paid for by a corporate issuer or other person to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any firms wishing to receive it, or to the general public;

- 3) participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or an investment service;
- 4) items of little intrinsic value, such as souvenirs, books and others, which are intended for presentation;
- 5) discounts or services made available to the general public and offered by individual commercial operators or companies.

Portfolio management service

Bank does not retain any financial inducements received in relation to the portfolio management service (management of client's financial-instrument portfolio).

It is Bank's intent to transfer in full to the client all financial inducements received by Bank. Bank takes steps and actions that envisage transferring the financial inducements to the client whenever the inducements should be distributed among and paid out to several clients.

Bank does not accept non-financial inducements in relation to the portfolio management service.

Disclosure of information

Prior to the provision of investment services /ancillary services, Bank clearly discloses to the client about the existence, nature and amount of inducements received or paid by Bank (where the amount cannot be ascertained, the method for calculating that amount must be clearly disclosed to the client).

As for the aforesaid requirements concerning disclosure of information prior to the provision of the relevant service, Bank outlines them in the *Financial inducements* section (contains the list of the financial inducements received).

Where Bank is unable to ascertain on an ex-ante basis the amount of any payment or benefit to be received or paid, Bank must also inform the client of the exact amount of the payment or benefit received or paid on an ex-post basis.

To comply with its obligations to make provide its clients with relevant information on an individual basis, Bank annually informs the respective client about the inducements, either received and paid, or received and retained, in relation to the provision of investment services /ancillary services to the client. Bank discloses the relevant information in the annual costs and charges report.