



## **DESCRIPTION OF INVESTMENT SERVICES AND THE LIST OF MAJOR TRADING VENUES**

### **DESCRIPTION OF INVESTMENT SERVICES**

PPF banka a.s. is a legal entity which carries out activities described in the license issued by the Czech National Bank in the scope of the Act no. 21/1992 Coll., on Banks, as amended, and which is a holder of all necessary permissions to carry out principal and additional investment services in the scope of Section 4 of the Act on Undertaking on Capital Market (hereinafter referred to as the AUCM).

Based on this license PPF banka a.s. is authorized to provide to the clients with whom it has concluded contract documents to provision of investment services the following principal investment services:

- a) accepting and handover of orders related to investment instruments,
- b) execution of orders related to investment instruments on the client's account,
- c) transactions with investment instruments on own account,
- d) investment consultancy related to investment instruments,
- e) subscribing or placing investment instruments with a obligation of the subscription thereof,
- f) placing investment instruments without a obligation of the subscription thereof.

Based on this license PPF banka a.s. is authorized to provide to the clients with whom it has concluded contract documents to provision of investment services the following additional investment services:

- a) safekeeping and administration of investment instruments, including related services,
- b) granting a loan or credit to client for the purpose to enable Transaction with investment instrument in which the credit or loan provider participates,
- c) Consultancy activity relating to the capital structure, industrial strategy and relating issues, as well as giving advice and provision of services relating to the transformation of companies or business transfers,
- d) provision of investment recommendations and analyses of investment opportunities or similar general recommendations relating to the Investment Instrument transactions,
- e) Provision of exchange operations relating to the provisions of investment services,
- f) services relating to the subscription of issues or placement of Investment Instruments.

PPF banka a.s. provides investment services to the following investment instruments defined in Section 3 AUCM:

- a) investment securities<sup>1</sup>

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<sup>1</sup> See Section 3 par. 2 of AUCM.

- b) collective investment securities,
- c) instruments which are usually traded in a money market (money market instruments),
- d) derivatives<sup>2</sup>.

Validity of the license of PPF banka a.s. for the provision of investment services is available for verification in the excerpt from the Commercial Register, e.g. at the website [www.justice.cz](http://www.justice.cz).

Investing in investment instruments is bound with many general and specific risks. Return and possible profit on each investment corresponds to the risk related thereto. As a rule the investment which offers potentially higher profit is connected with higher risk rate. The revenues achieved by an Investment Instrument in the previous period cannot guarantee the revenues achieved by the same Investment Instrument in the future. The Client is obliged to the largest possible extent familiarize himself with the risks of the intended investment transaction, or other transaction and in case of any unclear issues or questions, he is obliged to familiarize himself in details with each risk related to investing in the Investment Instruments, or to ask the Dealer for further necessary information. Professionally qualified employees of PPF banka a.s. entitled to provide investment services are obliged to provide to the client upon his request the information on character of each investment instrument and the risks related to investing in them.

PPF banka a.s. prepared the information material named "Information on Risks" which provides the elementary information on each risk stemming from investments in investment instruments as well as the information on specific risks arising from investments in derivate investment instruments. PPF banka a.s. recommends to clients to familiarize themselves with the information material prior to concluding the transactions with investment instruments and in case of any unclear issues or misunderstanding they should turn to employees of PPF banka a.s. and ask them for further information prior to concluding the transaction. If the Client does not fully understand the conditions of performing transactions and the extent of the potential loss of invested funds or, in certain cases, the loss in excess of the invested funds, he should not ask the Dealer to provide the investment service with such investment instrument. PPF banka a.s. notifies clients of its duty to reject an execution of order which it has evaluated as inadequate to the client's professional knowledge and experience.

The Client should be aware that when trading in derivatives and instruments which employ leverage (such as futures contracts, options) the risk of loss is not limited by the value of the invested funds but it may even exceed this value (i.e. the loss may be even higher than the amount of the invested funds). Therefore, investments in derivatives are a suitable form of investing only for the clients having better knowledge of capital and financial markets and necessary experience.

PPF banka a.s. notifies clients of a possibility to diversify risks by investing in various types of assets within the client's portfolio. Upon the client's request PPF banka a.s. will submit to a client with whom it has concluded contract documents regarding investment services specific proposals how to secure against risks related to a selected investment service.

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<sup>2</sup> See Section 3 par. 1 letter d) to k) of AUCM.

## LIST OF MAJOR TRADING VENUES

The following text includes the list of major trading venues which are used by PPF banka a.s., when providing investment services, for the execution of client orders and the description of major factors which are evaluated by the authorized employees of PPF banka a.s. in order to select particular trading venue when providing specific investment service to the specific investment instrument.

### 1. General Principles for Selection of Trading Venues

In accordance with the Execution Policy PPF banka a.s. will select for the execution of the client's order such trading venue which will enable the client's order to be executed under the best conditions. If it is possible to execute the specific client's order to the specific investment instrument directly in a regulated market or in a multilateral trading facility (hereinafter referred to as MTF), PPF banka a.s. will always prefer the execution of such order in the respective regulated market or MTF. If the respective investment instrument is traded in more regulated markets or MTFs, PPF banka a.s. will prefer the trading venue with the highest liquidity, while also taking into account where and in which currency the transaction is to be settled. If the venues for execution of the order are comparable, PPF Banka a.s. will take into account only the costs of the execution of the order in each venue and its commission.

Upon a client's previous explicit consent PPF banka a.s. may execute an order outside a regulated market or MTF, while complying with the Execution Policy.

When selecting the best trading venue, PPF banka a.s. considers the price achievable at the trading venue and the costs of execution of an order to be relatively the most relevant factors, regardless of category of the client who asks for the execution of such order. This, however, does not prevent PPF banka a.s., when selecting a trading venue for the execution of a specific order which a client classified as a Professional Client requires to execute, from preferring other factors, such as speed, probability of execution and settlement, volume and type of the order, liquidity of the respective investment instrument and other factors relevant for achieving the best possible result for such client with respect to the available information on the current situation prevailing in the investment instrument markets.

### 2. List of Major Trading Venues

#### Shares

For transactions with shares issued in Europe, PPF banka a.s. usually uses regulated markets according to the venue of issue of the respective share. When the share is traded in more regulated markets, PPF banka a.s. will prefer the market with the highest liquidity for the respective share.

The examples of trading venues in the European countries, including links to their websites of the respective trading venues, where clients may obtain the information on business terms and conditions and trading time schedule:

Czech Republic  
Germany

Burza cenných papírů Praha ( [www.pse.cz](http://www.pse.cz))  
XETRA Frankfurt ( [www.xetra.de](http://www.xetra.de) ), EUWAX ( [www.euwax.de](http://www.euwax.de) )

|                   |  |
|-------------------|--|
| Austria           | Vinna Stock Exchange ( <a href="http://www.wienerborse.at">www.wienerborse.at</a> )  |
| Poland            | Warsaw Stock Exchange ( <a href="http://www.gpw.pl">www.gpw.pl</a> )   |
| Hungary           | Budapešť Stock Exchange ( <a href="http://www.bse.hu">www.bse.hu</a> )   |
| Switzerland       | Zurich Stock Exchange ( <a href="http://www.swx.com/index_en.html">www.swx.com/index_en.html</a> )   |
| France            | Paris Stock Exchange ( <a href="http://www.euronext.com">www.euronext.com</a> )  |
| Great Britain     | London Stock Exchange ( <a href="http://www.londonstockexchange.com">www.londonstockexchange.com</a> ),<br>FTSE International ( <a href="http://www.londonstockexchange.com">www.londonstockexchange.com</a> ) |
| Spain             | Madrid Stock Exchange ( <a href="http://www.bolsamadrid.es">www.bolsamadrid.es</a> )   |
| Benelux, Portugal | Euronext ( <a href="http://www.euronext.com">www.euronext.com</a> )  |
| Russia            | MICEX ( <a href="http://www.micex.com">www.micex.com</a> ), or markets in Germany and<br>Great Britain   |

For transactions with shares issued in the Northern America PPF Banka a.s. usually uses the following trading venues:

NASDAQ ([www.nasdaq.com](http://www.nasdaq.com)), New York Exchange ([www.nyse.com](http://www.nyse.com)), American Stock Exchange ([www.amex.com](http://www.amex.com))

For transactions with shares issued in other countries PPF banka a.s. chooses a regulated market in the respective country according to the current market conditions, or it uses markets in Germany and Great Britain, provided that the respective share is traded there.

The Prague Stock Exchange website [www.pse.cz](http://www.pse.cz) includes the world exchanges link which provides the information on trading terms and conditions and trading time schedule of other trading venues which may be taken into account as suitable for the execution of client's order according to the previous text.

## **Bonds**

PPF banka a.s. usually trades bonds in OTC (over-the-counter) markets. PPF banka a.s. registers block transactions with government bonds issued by the Czech Republic in the automated system of the Prague Stock Exchange in accordance with exchange rules. Block transactions with government bonds issued by the Czech Republic are usually settled through the company Centrální depozitář cenných papírů, a.s., whereas bonds issued abroad are usually settled in the local settlement system.

## **Derivates Traded in Regulated Markets**

For trading in derivates which are accepted for trading in regulated markets PPF banka a.s. uses EUWAX ([www.euwax.de](http://www.euwax.de)) and EURONEXT ([www.euronext.com](http://www.euronext.com)), or other market with higher liquidity and resulting conditions for a client, or OTC markets.

## **License of PPF banka a.s. to handover the Order for Execution to a Third Person**

PPF banka a.s. is in accordance with the Execution Policy entitled to hand over the order for execution to a third person which must be a holder of the license to provide investment

services and a member of the trading venue or the multilateral trading facility which has been selected for the execution of the order. PPF banka a.s. is always obliged to check whether the third person has implemented and applies the measures which lead to the execution of client's order in accordance with the Execution Policy.

PPF banka a.s. uses third persons for the execution of orders at the trading venues or in multilateral trading facilities exclusively within the Direct Market Access (DMA) system when particular third persons only enable PPF banka a.s. to enter client orders directly to the trading systems of the trading venues or multilateral trading facilities through a technical device of the third person.