

**BASIC PRINCIPLES FOR EXECUTION OF SECURITIES**

Effective: August 2019

**1 Preliminary principles**
**1.1 Introduction**

This document determines the best execution policy (referred to hereafter as the »Best Execution Policy«) for UniCredit Bank AG (referred to hereafter as »the Bank«). For the Bank's foreign branches, the respective amendments stipulated in the country specific terms apply, or, as the case may be, a separate best execution policy applies. The information on »Best Execution Policy for Transactions in Financial Instruments« is part of the General Business Conditions and the Special Conditions for the Securities Business of Bank.

Detailed information on the product types described below (referred to hereafter as »asset classes«) is available in the brochures »Basic information on investments in securities« and »Basic information on futures contracts – fundamental principles, business context, opportunities, risks«. These brochures are available free of charge at the Bank's branches.

This Policy is supplemented by annexes which provide further details of the Policy as it applies to different asset classes. The annexes should be read in conjunction with this policy. It will be demonstrated to the client, on his request, that we executed orders in accordance with our Best Execution Policy.

Requests for clarification of the information contained in the Best Execution Policy, as well as requests to demonstrate compliance should be addressed to [info@hvb.de](mailto:info@hvb.de) or contact your advisor.

**1.2 Scope**

The Best Execution Policy is applicable to the execution of orders from the Bank's retail or professional clients for the purchase or sale of financial instruments.

Where best execution applies, the Bank will take all sufficient steps to obtain the best possible result for its clients, on a consistent basis, taking into account the execution factors set out in Section 1.3.

The customer can direct the Bank to deviate from the Best Execution Policy in respect of specific execution factors, for example by specifying the execution venue on which an order is to be executed. In case of a customer instruction of this kind, the Bank meets its best execution obligation by executing the order accordingly. Consequently, the Best Execution Policy is not applicable in respect of the execution factors specified by the client. Orders issued on a discretionary basis or in similar form are also regarded as instructions, where a specific execution venue cannot be specified, so that the Bank will execute such orders at its own discretion but taking the client's best interest into account.

Please note: The Bank will execute orders in accordance with the client instructions it receives, and therefore cannot apply the Best Execution Policy in respect of the execution factors specified by the client. Clients giving instructions regarding execution factors act at their own risk, and will not be alerted to this fact by the Bank in each individual case. By following your specific instruction, we will have satisfied the obligation to provide you with best execution in relation to the relevant part of the transaction to which the Specific Instruction applied. The remaining portion of that order not covered by such instructions may still be applicable for best execution in accordance with the criteria laid out in this Best Execution Policy.

**1.3 Determining the client's interest**

The Best Execution Policy allows the Bank to comply with its obligation to define order execution principles to achieve the best possible client outcome. Achieving the best possible outcome for

the client and/or determining the best possible execution venue does not imply any guarantee that the best possible result will in fact be achieved for each individual order. However, for certain asset classes the Bank uses an automatic execution technology (see 2.1) that compares the prices and, as the case may be, costs on different execution venues for an individual order.

The Bank developed its Best Execution Policy for financial instruments in its own discretion. When preparing the Best Execution Policy, the following aspects were taken into account:

- price - this is the price at which a financial instrument is purchased/sold
- costs - this includes implicit costs such as the possible market impact and explicit external costs, e.g. exchange or clearing fees and explicit internal costs which represents the Bank's own remuneration through commission or spread
- speed – time period it takes to execute a client transaction after its receipt
- likelihood of execution - the likelihood that the Bank will be able to completely execute a client order. In illiquid markets, the likelihood of execution will become a significant factor.
- likelihood of settlement - the likelihood that the settlement of the transaction takes place at value date
- order size - this is the size of the order to be executed and may affect the price and the likelihood of execution
- nature of the transaction – this is how the particular characteristics of a client transaction can affect how best execution is received. e.g. if an execution venue does not offer the order type the client requests
- qualitative factors related to the execution venues, like clearing schemes, circuit breakers, scheduled actions, the supervision of the trading by a trade supervision body etc. and
- any other consideration relevant to the execution of the transaction

For determining the relative importance of the factors mentioned above, the following criteria have been taken into account:

- The characteristics of the client including the categorization of the client as retail or professional
- The characteristics of the client order, including where the order involves a security financing transaction (SFT)
- The characteristics of financial instruments that are the subject of the transaction; and
- The characteristics of the execution venues to which the transaction can be directed.

When executing an order on behalf of a retail client, best execution is determined in terms of total consideration. Total consideration is representing the price of the relevant financial instrument and the costs related to execution, which include all expenses incurred which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. Speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs may be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the retail client.

Execution of orders, sent by professional clients, will follow the rules, outlined for retail clients.

For professional clients, the achievement of the best possible result is also influenced by the other execution factors mentioned previously, even if price and cost are generally the most important factors. Speed of execution is also taken into account as another important execution factor, followed by likelihood of settlement. The other execution factors mentioned rank behind these, and are weighted in the assessment as determined for the relevant asset class.

The Bank takes into account the venues and intermediaries through which the financial instruments in question are traded in significant volumes when selecting the relevant execution venues. The Bank will not unfairly discriminate between execution venues or types (i.e. Brokers) but will make a decision on an execution venue based on a consideration of the execution factors. The asset class specific determinations in Section 2 will provide more information on the execution venues on which the Bank places significant reliance in a meeting its obligation to take all reasonable steps to obtain on a consistent basis the best possible result for the execution of client orders.

If the client's assessment of certain execution factors differs from the Bank's assessment when compiling the Best Execution Policy, and therefore wishes the transaction to be executed at a different execution venue than specified in the Best Execution Policy, the client is entitled to issue a specific instruction as to the preferred place of execution.

### 1.3.1 Price

To determine the advantages of an execution venue with regard to price, the Bank assesses the price formation mechanism of the trading venues. Price quality is particularly dependent upon the number of market participants, the availability of market makers, and whether a reference market is used. For certain asset classes the Bank uses an automatic execution technology (see 2.1) that compares the prices on different execution venues for an individual order.

### 1.3.2 Costs

Costs are determined as a part of the total amount payable, taking into account the criteria as outlined in 1.3.2.1 – 1.3.2.3

The consideration of costs in the total net consideration depends on the fee-model agreed with the client:

- If the client holds his securities account with the bank the standard price model of the bank will be used for calculation of the total net consideration. Categories of execution venues are formed and for each category a certain fee (consisting of an execution-lump sum and a transaction-fee) is charged; this fee will be considered for the purposes of the comparison of the venues
- If the client does not hold his security account with the bank and falls under a cost-regime, where external costs are debited 1:1 to clients, the determination of total consideration takes into account the actual amount of external costs and all costs debited by the Bank itself

#### 1.3.2.1 Direct execution by the Bank at an exchange

In addition to the Bank's commissions for instrument transactions, the costs include expenses of third parties (e.g. the exchanges or parties maintaining order books at exchanges/market makers – also including the costs of a central counterparty – and entities involved in clearing or settlement) as well as market access costs if these are charged to the client.

#### 1.3.2.2 Indirect execution through an intermediary

Instead of direct execution at an exchange described under subsection 1.3.2.1, the Bank can use an intermediary if this is in the client's interest. In this case, the costs include those of the intermediary, in addition to those mentioned under subsection 1.3.2.1.

When executing client orders or when placing orders with (or transmitting client orders to) other entities (including affiliates) for execution, the Bank will take all sufficient steps in order to obtain on a consistent basis the best possible result.

### 1.3.2.3 Special aspects of transactions executed against own books of the Bank

The Best Execution Policy is applicable only to a limited degree if the Bank offers execution against own books only, and enters into an agreement with the client regarding financial instruments at a fixed or definable price. In this case, the obligations of the Bank and the client are derived directly from the contractual agreement. In such a transaction with the Bank the Bank meets its best execution obligation by offering a fair price. Asset classes, where the Bank offers trading against own books on a regular basis, are stated in Chapter 2 of the Best Execution Policy.

If the offer of the Bank to execute the order against own books is in competition with other execution venues, according to the respective asset class of this Best Execution Policy, the offer of the Bank will be treated for the comparison with other execution venues, like any external execution venue.

### 1.3.3 Other aspects of order execution

The Bank has also taken into account the following execution factors as required by law.

#### 1.3.3.1 Speed of execution

This refers to the interval between the time the order is accepted and the time the order is capable of being executed on the execution venue. The speed of an execution venue is determined to a large extent by the type of market model (e.g. auction procedure) it uses.

#### 1.3.3.2 Likelihood of execution and settlement

The likelihood of the order being executed on a trading venue depends mainly on the prevailing liquidity. In this respect, the Bank also takes into account the risk of partial execution which could have a direct impact on the overall cost of settlement. The Bank views the likelihood of settlement as being influenced by potential issues with the processing of transactions in financial instruments which may have a negative impact on delivery or payment.

#### 1.3.3.3 Order type and size

The Bank distinguishes orders by size to the extent that this affects the choice of execution venue in connection with price and costs.

It is possible to submit different order types to different execution venues. In addition to buy and sell orders, various limit orders and other order types exist (e.g. kill-or-fill). The client can specify an order type when issuing an order. However, specification of order type may mean that the order cannot be executed on certain execution venues.

### 1.3.4 Qualitative factors of execution venues

The Bank also took into account qualitative factors with regard to the selected execution venues. These include e.g.

- clearing schemes
- circuit breakers
- scheduled actions
- supervision of the trading by a trading monitoring agency
- the complaint management and complaint handling by the execution venue
- the Trading Times
- the reliability of service obligations
- the bindingness of quotes and other price information

- the choice of order functionalities and execution types
- the service and information offered to investors
- the type of the order book
- the counterparty risk of the trading partner
- the processing security

#### 1.4 Execution venues

Should the client wish to execute a transaction on a particular execution venue, this will be treated as a specific instruction. The Bank may use one or more of the following execution venue types when executing your order:

- Regulated Markets; e.g. London Stock Exchange, Xetra, New York Stock Exchange
- Other trading venues that are not Regulated Markets; Multilateral Trading Facilities (MTFs) and Organised Trading Facilities (OTFs), e.g. Euro-MTS, Brokertec.
- Systematic Internalisers (SI): (SIs) means investment firms which, on an organised, frequent, systematic and substantial basis, deal on own account by executing client orders outside a regulated market, an MTF or an OTF, without operating a multilateral system.
- Market Maker
- other liquidity providers
- As the case may be, the Bank may act as SI, Market Maker or other liquidity provider
- The Bank may use third parties, like investment firms, brokers and/or affiliates acting as a SI, Market Maker or other liquidity provider

The selection of offered execution venues per asset class is a result of a market analysis per asset-class. The Bank analyzed all execution venues it is connected to and other potential execution venues to identify such execution venues which it considers to be the most competitive execution venues to perform Best Execution for the client. The Bank employs the strategy to offer only execution venues which allow for a timely and comprehensive execution of client orders. The analysis and assessment will be performed on an ongoing basis at least on a yearly basis as outlined in chapter 4. The assessment may lead to the adoption of new execution venues or the deletion of an execution venue.

The Bank may execute all or part of your order outside of a Regulated Market or MTF/OTF. In accordance with regulatory requirements the Bank has requested the client's consent to execute such orders in this manner. The request to provide such consent is included in our client onboarding documentation which has previously been provided to you. In case that no consent form signed by the client has been received by the bank, the Bank will request this consent during the order capturing process. The execution of orders outside trading venues may cause as a consequence increased risks (e.g. increased counterparty risks, credit costs) which are taken into consideration in the assessment of execution venues (if applicable). Requests for clarification of potential increased risks of an OTC execution, should be addressed to [info@hvb.de](mailto:info@hvb.de) or contact your advisor.

The Bank utilizes an intermediary in situations where it appears to be in the client's best interest to do so, in compliance with the Best Execution Policy. The Bank works with several different intermediaries. The Bank selects the intermediaries from among well-known international prime brokers, taking into account their execution policies and criteria such as direct market access for various trading venues and the presence of an electronic trading platform along with reliable settlement processes. In the past these intermediaries have offered rapid and reliable execution without any appreciable differences in quality. To achieve the

most favorable execution conditions in the interest of the client, the Bank will review the selection of intermediaries on a regular basis. In all other respects, the execution policies and practices or the respective intermediary will apply.

If unusual market conditions or market disruption necessitate execution to be effected in a different way, the Bank will execute the order acting in the customer's best interest.

#### 1.5 Capital market transactions

Instruments issued either during an initial public offering (IPO) or during a capital increase are allocated by the lead manager or another member of the respective syndicate if appropriate, who has been mandated by the issuer. As part of the allocation process, the lead manager will classify clients into categories. The clients will then receive a proportional allocation, which could range from zero to full allocation up to the original order size. Irrespective of the allocation process used, the bank will ensure that the allocation is handled fairly and in the interests of all customers and – where possible – is effected in tradable minimum sizes.

### 2 Execution of orders

#### 2.1 General Provisions

For asset classes, where execution venues are suitable and liquid, (equities, certain bonds, etc.) the Bank will utilize automatic execution technology (AET) to choose a venue in order to obtain the best possible result for the client.

The Bank will employ AET that seeks the best prices and liquidity for each individual order by comparing the prices, liquidity and costs of the execution venue to be compared for the relevant asset class by using system rules defined by the rules of the Best Execution Policy. The assessment and decision about the execution venue, the order is directed to, will consider the result of the AET and the other static factors relevant for the respective asset class and that are not evaluated for each individual order but monitored on a regular basis for the purpose of this Best Execution Policy.

The AET will be used for the entire asset classes listed below - except 2.3, 2.8, 2.9.

For other orders placed with the Bank, the Bank's decision for an execution venue considers strategies on handling the order by taking into account the execution factors as described for each asset class and any particular criteria or instructions provided. These factors are not evaluated for each individual order but are monitored on a regular basis for the purpose of this Best Execution Policy.

Where a client order is not executed promptly, the Bank will try to execute your transaction as soon as possible. These orders are continually monitored and once the requested price has been reached, the Bank will provide best execution either through execution on execution venue, against the books of the Bank or through a combination of both.

Financial instruments with the same characteristics are grouped in asset classes and are treated equally on the basis of these classes under the Best Execution Policy for Securities Transactions.

## 2.2 Equities Shares and Depositary Receipts

### 2.2.1 Domestic equities – shares and depositary receipts

Domestic equities are traded primarily in Germany, and are generally determined by the inclusion in any of the leading German Indices, like

- DAX®
- MDAX®
- SDAX®
- TecDAX®

There are several other products like domestic ETF-s, which are not part of an index, but fall under the rules, outlined in this chapter.

The following overview determines the execution venues, which will be taken into consideration for execution

Stock Exchange Xetra classic – XETR
Berlin Stock Exchange – XBER
Duesseldorf Stock Exchange – XDUS
Xetra Frankfurt 2 Stock Exchange –XFRA
Hamburg Stock Exchange – XHAM
Hannover Stock Exchange – XHAN
Munich Stock Exchange – XMUN
gettex – XMUN
Stuttgart Stock Exchange – XSTU
Internalization UniCredit Bank AG – UCDE
Morgan Stanley Europe S.E. – MESI

#### Retail Clients:

When executing an order on behalf of a retail client, best execution is determined in terms of total consideration. Total consideration is representing

- the price of the relevant financial instrument and
- The costs related to execution, which include all expenses incurred by the client which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.
- The likelihood of execution in regard of the quoted volume.

Although the likelihood of execution is not a direct part of the definition of the term total consideration, the Bank will consider it in this context as the Bank deems it a material part of the price that is relevant for the client. »Nature of order« and »Size of order« are taken into consideration in the assessment of the »likelihood of execution«, since the check of the current price of the execution venue includes the depth of the order book (size) as well as the side (bid/ask) and the suitability of the execution venue for the relevant order (e.g. due to used limit types).

#### Professional Clients:

Execution for professional clients will follow the same rules outlined for retail clients.

The total consideration is determined by the order value (nominal x price) and all incurring internal and external costs.

The Bank cannot warrant that any given order will in fact be executed on the selected trading venue on the same trading day. Orders ,not executed on the same day of order capture, remain at the trading venues in question, unless the client has provided for the order to be cancelled in such cases (e.g. in case of same-day orders) or if this is the standard procedure for the order type in question.

### 2.2.2 Foreign equities – shares and depositary receipts

All equities with a Non-DE-ISIN fall under this category. So generally the home venues in the issuer's home country will be used. The selection of venues may be limited by place of custody or trading restrictions. The Bank will not execute orders on venues which create additional costs on client side for the transfer of securities. The respective foreign markets to which, the Bank is connected to may be found in Annex 1 »list of execution venues«.

If the respective financial instrument may also be traded in Germany, or if the Bank offers execution against own books, the Bank will decide about the execution venue by assessing the depository and cost situation, to achieve the best expected result for the client.

In case that an execution on German Markets is preferred, the rules as outlined under 2.2.1 apply.

### 2.3 Subscription rights

In addition to conventional subscription rights, this asset class includes tradable purchase rights and redemption rights. With regard to the limited subscription period, for subscription rights granted abroad, a greater weighting is given to the criteria of likelihood of execution and settlement and speed of execution. Orders for subscription rights held in Germany (including those held at foreign branches of CBF International) are submitted for execution to an appropriate German trading venue.

The following overview determines the execution venues, which will be taken into consideration for execution:

Xetra classic Stock Exchange – XETR
Berlin Stock Exchange – XBER
Duesseldorf Stock Exchange – XDUS
Stuttgart Stock Exchange – XSTU
Xetra Frankfurt 2 Stock Exchange –XFRA
Hamburg Stock Exchange – XHAM
Hannover Stock Exchange – XHAN
Munich Stock Exchange – XMUN

Orders for instruments held abroad (with the exception of foreign branches of CBF International) are submitted for execution on an execution venue or OTC in the country where the instruments are held by the depository. Details are provided to the customer on request when the order is submitted.

#### Retail Clients:

When executing an order on behalf of a retail client, best execution is determined in terms of total consideration. Total consideration is representing

- the price of the relevant financial instrument and
- the costs related to execution, which include all expenses incurred by the client which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.
- the likelihood of execution in regard of the quoted volume. »Nature of order« and »Size of order« are taken into consideration in the assessment of the »likelihood of execution«, since the check of the current price of the execution venue includes the depth of the order book (size) as well as the side (bid/ask) and the suitability of the execution venue for the relevant order (e.g. due to used limit types).

Although the likelihood of execution is not a direct part of the definition of the term total consideration, the Bank will consider it in this context as the Bank deems it a material part of the price that is relevant for the client.

Speed of Execution, Likelihood of Settlement and other relevant aspects for the transaction may be taken into account only insofar as they are instrumental and relevant in delivering the best possible result in terms of the total consideration to the retail client.

**Professional Clients:**

Execution for professional clients will follow the same rules outlined for retail clients

The total consideration is determined by the order value (nominal x price) and all incurring internal and external costs.

**2.4 Debt Instruments**

This class includes interest-bearing securities as well as other securities with characteristics similar to bonds. The Bank distinguishes in regard of Nature of Order and Size of Order as stated in the following sections:

**2.4.1 Debt Instruments in Euro**

Bundesschatzbriefe issued by the federal government are executed with the Bundesbank as an over-the counter commission-based transaction as no alternative market is available.

The Bank executes orders in listed bonds on a suitable execution venue,

- if the nominal value of the order is below EUR 1.000.000 for bonds issued by the Federal Republic of Germany or the federal states
- or if the nominal value of the order is below EUR 250.000 for all other issuers
- and if those orders are settled via domestic custodian accounts.

If the volume of the order is above described thresholds or the orders could not be settled via domestic custodian accounts, the Bank will offer a fixed-price-transaction as outlined later in this section.

The following overview determines the execution venues, which will be taken into consideration for execution:

Berlin Stock Exchange – XBER
Duesseldorf Stock Exchange – XDUS
Xetra Frankfurt 2 Stock Exchange – XETR
Hamburg Stock Exchange – XHAM
Hannover Stock Exchange – XHAN
Munich Stock Exchange – XMUN
Stuttgart Stock Exchange – XSTU
Internalization UniCredit Bank AG – UCDE

**Retail Clients:**

When executing an order on behalf of a retail client, best execution is determined in terms of total consideration. Total consideration is representing

- the price of the relevant financial instrument and
- the costs related to execution, which include all expenses incurred by the client which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

- the likelihood of execution in regard of the quoted volume. »Nature of order« and »Size of order« are taken into consideration in the assessment of the »likelihood of execution«, since the check of the current price of the execution venue includes the depth of the order book (size) as well as the side (bid/ask) and the suitability of the execution venue for the relevant order (e.g. due to used limit types).

Although the likelihood of execution is not a direct part of the definition of the term total consideration, the Bank will consider it in this context as the Bank deems it a material part of the price that is relevant for the client.

Speed of Execution, Likelihood of Settlement, counterparty risk and other relevant aspects for the transaction may be taken into account only insofar as they are instrumental and relevant in delivering the best possible result in terms of the total consideration to the retail client.

**Professional Clients:**

Execution for professional clients will follow the same rules outlined for retail clients.

The total consideration is determined by the order value (nominal x price) and all incurring internal and external costs. The total consideration and the weighted result of the assessment of static factors are used for the determination of the rating figure. The rating figure is composed of the sum of the weighted amounts of the total consideration and the assessment result of static factors.

The Bank cannot warrant that any given order will in fact be executed on the selected trading venue on the same trading day. Orders ,not executed on the same day of order capture, remain at the trading venues in question, unless the client has provided for the order to be cancelled in such cases (e.g. in case of same-day orders) or if this is the standard procedure for the order type in question.

For all other orders in this asset class (especially bonds held in non-domestic custodian accounts as well as orders above the thresholds in regard of volumes mentioned before), the Bank generally offers the purchase or sale of the securities directly with the Bank at prices that are in line with the market. The purchase or sale then occurs at a fixed price agreed with the Bank (fixed-price transaction). There is no obligation for the Bank to enter into a transaction of this kind. For fixed-price transactions, the Bank offers an immediate price commitment for the securities during its usual trading hours, taking into account the market conditions and acknowledging all costs associated with this form of execution. Moreover, in this case the Bank executes the transaction immediately and in full.

The Bank cannot warrant that any given order will in fact be executed on the selected trading venue on the same trading day. Orders ,not executed on the same day of order capture, remain at the trading venues in question, unless the client has provided for the order to be cancelled in such cases (e.g. in case of same-day orders) or if this is the standard procedure for the order type in question.

If no fixed-price transaction is agreed, instructions from the client are required with regard to the execution venue.

## 2.4.2 Debt instruments in foreign currencies

The most liquid trading for bonds in foreign currencies generally takes place over-the-counter (OTC). Consequently, the Bank generally offers the purchase or sale of the securities directly with the Bank at prices that are in line with the market. The purchase or sale then occurs at a fixed price agreed with the Bank (fixed-price transaction). There is no obligation for the Bank to enter into a transaction of this kind. For fixed-price transactions, the Bank offers an immediate price commitment for the securities during its usual trading hours, taking into account the market conditions and acknowledging all costs associated with this form of execution. If no fixed-price transaction is agreed, instructions from the client are required with regard to the execution venue.

## 2.5 Investment fund shares

The purchase and sale of shares in OGAW-investment-funds or Investmentaktiengesellschaften (investment share companies) or EU-OGAW-investment funds which are authorised for sale in Germany is handled through the relevant custodian bank pursuant to the provisions of Section 71 of the German Investment Code (KAGB). The purchase and sale of stakes in AIF is also affected through the relevant custodian bank. Therefore this execution behavior fulfils requirements with regards to best possible execution for the client.

Please note: On explicit client instruction, it is possible to execute orders in products, described before on other execution venues. The client will be informed, on request, by the Bank of the costs related to execution on such a venue.

Exchange Traded Funds (ETF-s) will fall under the rules set out in chapter 2.2.

## 2.6 Participation Certificates

The Bank will execute all orders in equity-like or bond-like participation certificates listed in Germany on an appropriate execution venue.

The following overview determines the execution venues, which will be taken into consideration for execution:

Xetra classic Stock Exchange – XETR
Berlin Stock Exchange –XBER
Duesseldorf Stock Exchange – XDUS
Xetra Frankfurt 2 Stock Exchange – XFRA
Hamburg Stock Exchange – XHAM
Hannover Stock Exchange - XHAN
Munich Stock Exchange – XMUN
Stuttgart Stock Exchange –XSTU

### Retail Clients:

When executing an order on behalf of a retail client, best execution is determined in terms of total consideration. Total consideration is representing

- the price of the relevant financial instrument and
- the costs related to execution, which include all expenses incurred by the client which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.
- the likelihood of execution in regard of the quoted volume. »Nature of order« and »Size of order« are taken into consideration in the assessment of the »likelihood of execution«, since the check of the current price of the execution venue includes the depth of the order book (size) as well as the side (bid/ask) and the suitability of the execution venue for the relevant order (e.g. due to used limit types).

Although the likelihood of execution is not a direct part of the definition of the term total consideration, the Bank will consider it in this context as the Bank deems it a material part of the price that is relevant for the client.

Speed of Execution, Likelihood of Settlement, counterparty risk and other relevant aspects for the transaction may be taken into account only insofar as they are instrumental and relevant in delivering the best possible result in terms of the total consideration to the retail client.

### Professional Clients:

Execution for professional clients will follow the same rules outlined for retail clients.

The total consideration is determined by the order value (nominal x price) and all incurring internal and external costs.

The Bank cannot warrant that any given order will in fact be executed on the selected trading venue on the same trading day. Orders ,not executed on the same day of order capture, remain at the trading venues in question, unless the client has provided for the order to be cancelled in such cases (e.g. in case of same-day orders) or if this is the standard procedure for the order type in question.

For orders involving participation certificates not listed in Germany, an explicit instruction with regard to the execution venue is required from client.

## 2.7 Securitized Derivatives – Warrants

The Bank is prepared to buy or sell its own warrants at prices that are in line with the market.

The purchase or sale occurs at a fixed price agreed with the Bank (fixed-price transaction). During its usual trading hours, the Bank provides firm quotes on a continual basis and offers an immediate price commitment, taking into account the market situation and with disclosure of the costs associated with the execution of the transaction. Moreover, the Bank executes the transaction immediately and in full. There is no obligation for the Bank to enter into a transaction of this kind.

Orders in warrants of other issuers, listed in Germany, are executed in a commission-based transaction. This is also the case for the Bank's own warrants if a fixed-price transaction is not agreed. The Bank will execute these orders on an appropriate execution venue.

The following overview determines the execution venues, which will be taken into consideration for execution.

Issuers (connected via RTO's, e.g. Cats)
Stuttgart Stock Exchange – XSTU
Xetra Frankfurt 2 Stock Exchange – XFRA

### Retail Clients:

When executing an order on behalf of a retail client, best execution is determined in terms of total consideration. Total consideration is representing

- the price of the relevant financial instrument and
- the costs related to execution, which include all expenses incurred by the client which are directly related to the execution of the order such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.
- the likelihood of execution in regard of the quoted volume.

»Nature of order« and »Size of order« are taken into consideration in the assessment of the »likelihood of execution«, since the check of the current price of the execution venue includes the depth of the order book (size) as well as the side (bid/ask) and the suitability of the execution venue for the relevant order (e.g. due to used limit types).

Although the likelihood of execution is not a direct part of the definition of the term total consideration, the Bank will consider it in this context as the Bank deems it a material part of the price that is relevant for the client.

Speed of Execution, Likelihood of Settlement and other relevant aspects for the transaction may be taken into account only insofar as they are instrumental and relevant in delivering the best possible result in terms of the total consideration to the retail client.

#### **Professional Clients:**

Execution for professional clients will follow the same rules outlined for retail clients.

The total consideration is determined by the order value (nominal x price) and all incurring internal and external costs.

## **2.8 Securitized Derivatives –Certificates and structured Debt instruments**

Certificates and structured bonds (structured investment products) issued by the Bank are purchased or sold at a fixed price agreed with the Bank (fixed-price transaction). During its usual trading hours, the Bank provides firm quotes on a continual basis and offers an immediate price commitment, taking into account the market situation and with disclosure of the associated execution costs. Moreover, the Bank executes the transaction immediately and in full. The Bank ensures that the prices are in line with the market.

The Bank is also prepared to enter directly into direct purchases/sales of structured investment products of other issuers at prices that are in line with the market. These will be executed at a fixed-price transaction with the Bank. There is no obligation for the Bank to enter into a transaction of this kind. For fixed-price transactions, the Bank offers an immediate firm quote for these securities during its usual trading hours, taking into account the market situation and with disclosure of the associated costs execution of this transaction. Moreover, in this case the Bank performs immediate full execution of the transaction. If no fixed-price transaction can be arranged, the Bank will execute orders involving structured investment products at markets, selected by the Best-Execution Rules as outlined under 2.4 and 2.7.

## **2.9 Non-securitized financial instruments**

This asset class includes options, futures contracts, swaps and all other derivative contracts based on securities, currencies, interest rates or other derivative instruments, financial indices or benchmarks which are capable of delivery or cash settlement. These also include these same instruments when based on commodities that must be cash-settled, or can be cash-settled on request by one of the parties, derivative instruments for the transfer of credit risk and contracts for difference (CFDs). Also included are all of the above-mentioned instruments with reference to climate variables, freight rates, emission allowances, inflation rates and other official economic statistics that must be cash-settled, or can be cash-settled on request by one of the parties and all other derivative contracts with reference to assets, rights, obligations, indices and benchmarks that have the characteristics of other financial derivatives. Distinctions are made according to whether these instruments are traded on a regulated market or a multilateral trading facility (MTF), whether clearing and settlement

take place through recognized clearing houses and whether margin requirements apply.

Depending on the strategy of the bank or limitations by law or by authorities not necessarily all products are available for retail clients.

### **2.9.1 Exchange-traded derivatives**

Due to the different terms of financial futures contracts at the various futures exchanges, an exchange must be specified by the customer for this product group.

A list of the exchanges where futures contracts can be executed through the Bank, along with other details, is available from the Bank.

### **2.9.2 OTC derivative contracts and repo transactions**

In addition to the futures contracts, options, swaps and other derivatives mentioned in subsection 2.9, these include repo and buy/sell-back transactions.

Such transactions are entered into on an individual basis between the Bank and the client. An alternative execution venue is not available. The transaction is entered into directly with the Bank at pre-agreed terms. The Bank undertakes that the terms will be in accordance with the requested fairness of prices, as outlined in the regulatory requirements.

## **3 Final provisions**

Unless individual financial instruments clearly fall into a specific asset class, the client has to provide instructions regarding the venue on which they should be executed.

If due to public holidays, trading events or technical restrictions, the Bank cannot execute an order at the time it is placed on one of the trading venues stipulated in the Best Execution Policy, then the order can be executed on another execution venue, taking the client's best interests into account. If the execution venues selected by the Bank as appropriate alternatives are also unavailable, then client instructions regarding the execution venue are required.

If an order is received outside of the trading hours of the execution venue intended for the transaction in question, it will be placed on that venue on the next trading session. If the client wishes the order to be placed on the same day, then the client must provide instructions specifying a particular venue. The Bank will not switch the order to a different venue even if the order will not or cannot be executed on the selected execution venue over an extended period. For orders not executed immediately or on the first day on which they are valid, the Bank will manage the overall order process. If any capital measures are taken by the issuer that lead to the expiry of the order, the Bank will provide relevant information. The Bank has no further follow-up obligations, such as monitoring whether an order has already been executed. However, it will inform the customer of the status of the order on request.

In order to comply with the regulatory provisions, the Bank will monitor its execution quality and publish the results. Further, the Bank will publish on an annual basis the top 5 execution venues it uses for client orders across the various asset classes (including Bank in case of execution against its own books).

The Best Execution Policy is primarily supported by system technology. If software technology is temporarily unavailable, the Bank will determine a place of execution at its own discretion while taking the client's best interests into account.

The Best Execution Policy is reviewed regularly – at least once a year – and amended if necessary. Clients will be informed immediately of any significant changes to the Best Execution Policy by the appropriate means. The currently applicable version of the Best

Execution Policy can be accessed on the Bank's website:  
[www.hvb.de/geschaeftsbedingungen](http://www.hvb.de/geschaeftsbedingungen)

The legality and adherence to the Best Execution Policy is subject to review by the responsible supervisory authorities.

#### 4 Monitoring

The Bank has implemented a governance framework and control process through which it monitors the effectiveness of our order execution arrangements (including this Best Execution Policy), to identify and, where appropriate, correct any deficiencies. Through this governance framework and controls process the bank will assess whether the execution venues included in this Policy provide the best possible result for the client or whether the Bank needs to make changes to its Best Execution Policy. The Bank will review its order execution arrangements and Best Execution Policy at least annually or whenever a material change occurs that affects our ability to obtain the best result for the execution of client orders.

The Bank will perform the monitoring on the base on an ongoing monitoring of execution quality of exemplary single orders, representing the scope of the Best Execution Policy. In addition, the Bank will monitor the reports with regards to execution policy, execution venues are obliged to publish regularly. Furthermore, the Bank will analyze any other publication of the execution venues to identify changes in the assessment of factors, relevant for execution of orders.

#### List of used execution venues, Intermediaries, Systematic Internaliser, Liquidity provider

1.	Australian Stock Exchange	Australia
2.	Euronext Brussels	Belgium
3.	Nasdaq OMX Copenhagen	Denmark
4.	Berlin Stock Exchange	Germany
5.	Düsseldorf Stock Exchange	Germany
6.	Frankfurt Stock Exchange	Germany
7.	Xetra classic Stock Exchange	Germany
8.	Xetra Frankfurt 2 Stock Exchange	Germany
9.	Hamburg Stock Exchange	Germany
10.	Hannover Stock Exchange	Germany
11.	Munich Stock Exchange	Germany
12.	Gettex	Germany
13.	Stuttgart Stock Exchange	Germany
14.	Nasdaq OMX Helsinki	Finland
15.	Euronext Paris	France
16.	Athens Stock Exchange	Greece
17.	London Stock Exchange	Great Britain
18.	Hong Kong Stock Exchange	Hong Kong
19.	Jakarta Stock Exchange	Indonesia
20.	Irish Stock Exchange	Ireland
21.	Borsa Italiana	Italy
22.	Tokyo Stock Exchange	Japan
23.	Toronto Stock Exchange	Canada
24.	Luxembourg Stock Exchange	Luxemburg
25.	New Zealand Stock Exchange	New Zealand
26.	Euronext Amsterdam	Netherlands
27.	Oslo Bors	Norway
28.	Xetra Vienna	Austria
29.	Warsaw Stock Exchange	Poland
30.	Euronext Lisbon	Portugal
31.	Nasdaq OMX Stockholm	Sweden
32.	SIX Swiss	Switzerland
33.	SIX Structured Products Exchange	Switzerland
34.	Singapore Stock Exchange	Singapore
35.	Madrid Stock Exchange	Spain
36.	Johannesburg Stock Exchange	South Africa
37.	Stock Exchange of Thailand	Thailand
38.	Prague Stock Exchange	Czech Republic
39.	Istanbul Stock Exchange	Turkey
40.	Budapest Stock Exchange	Hungary
41.	NASDAQ	USA
42.	New York Stock Exchange	USA
43.	Morgan Stanley & Co Intl. PLC	Intermediary
44.	Jefferies International Limited	Intermediary
45.	ICF Bank AG Wertpapierhandelsbank	Intermediary
46.	Wood & Company Financial Services	Intermediary
47.	KBL European Private Bankers	Intermediary
48.	UniCredit Bank AG	Liquidity Provider
49.	Morgan Stanley Europe S.A.	Liquidity Provider
50.	Issuers ( connected via RTO's e.g. Cats)	Liquidity Provider
51.	Tradegate MTF	Liquidity Provider