

UniCredit Bank AG – Systematic Internaliser Service Description

September 2019

1. INTRODUCTION

Under the Directive (EU) No. 65/2014 on markets in financial instruments and Regulation (EU) No. 600/2014 significant changes to the systematic internaliser regime (SI) have been introduced. In the following service description UniCredit Bank AG outlines the required information pursuant to the respective regulation.

1.1 PURPOSE OF THIS DOCUMENT “SYSTEMATIC INTERNALISER SERVICE DESCRIPTION”

The service description primarily sets out UniCredit Bank AG’s standards for governing access to requested data (e.g. quotes) as required by MiFIR. Further, the service description sets out certain other peculiarities that are relevant for customers to be aware of.

The service description and the related content is subject to revision on a frequent basis (at least annually) and in between such regular revision where material changes to UniCredit Bank AG’s systematic internaliser status occurs or otherwise when UniCredit Bank AG deems it necessary to make any changes.

1.2 DEFINITION OF SYSTEMATIC INTERNALISER

A systematic internaliser is defined as an investment firm which, on an organised, frequent, systematic and substantial basis, deals on own account when executing client orders outside a regulated market, a multilateral trading facility (MTF) or an organised trading facility (OTF). While trading venues are facilities in which multiple third parties buying and selling interests interact in the system, a systematic internaliser should not be allowed to bring together third party buying and selling interests in functionally the same way as a trading venue.

The frequent and systematic basis shall be measured by the number of OTC trades in the financial instrument carried out by the investment firm on its own account when executing client orders. The substantial basis shall be measured either by the size of the OTC trading carried out by the investment firm in relation to the total trading of the investment firm in a specific financial instrument or by the size of the OTC trading carried out by the investment firm in relation to the total trading in the European Union in a specific financial instrument. The definition of a systematic internaliser shall apply only where the pre-set limits for a frequent and systematic basis and for a substantial basis are both crossed.

There is also the possibility for an investment firm to opt-in as a systematic internaliser in financial instruments or subgroups thereof.

As a systematic internaliser – whether by exceeding the thresholds (quantitative requirements) or by opting in – UniCredit Bank AG has the obligation to make quotes available to its customers and the public in financial instruments considered to be liquid. As a systematic internaliser, UniCredit Bank AG is further under an obligation to enter into transactions based on a given firm quote but may limit the number of such transactions. For instruments considered to be illiquid there is an obligation to make the quotes available to customers on request, but that obligation may be waived for non-equity instruments provided certain requirements are fulfilled.

2. SYSTEMATIC INTERNALISER STATUS

UniCredit Bank AG will publish information on the asset classes for which it acts as a systematic internaliser as required by its National Competent Authority Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

Additionally, UniCredit Bank AG will provide information about its systematic internaliser status via the Smart Stream Reference Data Utility.

For additional information, please visit: <http://www.smartstreamrdu.com>

2.1. ASSET CLASSES

As of August 2019 UniCredit Bank AG has declared itself a Systematic Internaliser in the following Asset Classes:

- Shares (SHR): Selected shares admitted to a European regulated market
- Securitised Derivatives (SDR): All structured derivatives issued by UniCredit Bank AG
- Bonds (BON): All bonds, including convertible bonds
- Structured Finance Products (SFP): All Structured Finance Products (ABS-type securities)
- OTC Derivatives (DER): All Interest Rate and Foreign Exchange OTC Derivatives

3. PRE-TRADE TRANSPARENCY

The Markets in Financial Instruments Regulation mandates systematic internaliser to make public firm quotes in respect of those shares, depositary receipts, ETFs, certificates and other similar financial instruments traded on a trading venue and for which there is a liquid market. Quotes are made public on a regular and continuous basis during normal trading hours.

In respect of bonds, structured finance products, emission allowances and derivatives traded on a trading venue for which there is a liquid market, quotes are made available when UniCredit Bank AG is prompted for a quote by client and agrees to provide a firm quote.

UniCredit Bank AG publishes quotes in respect to all instruments for which it has adopted a systematic internaliser status as described.

Information about UniCredit Bank AG's public quotes, including explanations about the validity of quotes, instructions for the execution of quotes, and other additional information are described in section 5 of this document.

3.1. PRE-TRADE TRANSPARENCY WAIVERS

National Competent Authorities shall be able to waive the obligation for market operators and investment firms acting as systematic internaliser to make public the information for the following types of order:

1. Orders that are large in scale compared with normal market size and orders held in an order management facility of the trading venue pending disclosure
2. Actionable indications of interest in request-for-quote and voice trading systems that are above a size specific to the financial instrument, which would expose liquidity providers to undue risk and takes into account whether the relevant market participants are retail or wholesale investors
3. Derivatives which are not subject to the trading obligation specified in Article 28 and other financial instruments for which there is not a liquid market

UniCredit Bank AG will apply all applicable pre-trade transparency waivers and will not publish pre-trade information when any of the above conditions are met.

For additional information about the "large in scale" (LIS) thresholds and the "size specific to the financial instruments" (SSTI), please consult the ESMA website <https://www.esma.europa.eu>.

3.2. METHODS OF PUBLICATION

UniCredit Bank AG will make public its pre-trade transparency reports via the approved publication arrangement (APA) by Deutsche Börse. For additional information, please visit:

<http://www.mds.deutsche-boerse.com/mds-en/regulatory-services>

In order to obtain access to UniCredit Bank AG's pre-trade transparency reports free of charge, please contact: data.services@deutsche-boerse.com

UniCredit Bank AG's pre-trade transparency reports are also accessible via several market data vendors.

4. POST-TRADE TRANSPARENCY

The Markets in Financial Instruments Regulation mandates that market operators and investment firms operating a trading venue shall make public the price, volume and time of the transactions executed in respect of all financial instruments traded on a trading venue.

Post-trade information shall be made available as close to real time as is technically possible and in any case:

1. For shares, depositary receipts, ETFs, certificates and other similar financial instruments traded on a trading venue within 1 minute after the execution of the relevant financial instrument;
2. For bonds, structured finance products, emission allowances and derivatives traded on a trading venue:
 - a. For the first three years of application of Regulation (EU) No 600/2014, within 15 minutes after the execution of the relevant transaction
 - b. Thereafter, within 5 minutes after the execution of the relevant transaction

Where a transaction between two investment firms is concluded outside the rules of a trading venue, either on own account or on behalf of clients, only the investment firm that sells the financial instrument concerned shall make the transaction public through an APA. Where only one of the investment firms party to the transaction is a systematic internaliser in the given financial instrument the party acting as systematic internaliser has to make the transaction public through an APA, informing the counterparty of the action taken.

4.1. POST-TRADE DEFERRALS

For equity and equity-like instruments deferrals to post-trade transparency reports can be granted for trades that are above a certain size between an investment firm dealing on own account with a counterparty and within a calibrated deferral period. This is dependent on a minimum qualifying size in relation to the average daily turnover of the instrument. The deferral period can range from 60 minutes, 120 minutes, end of trading day or the end of the next trading day.

Where a competent authority authorises the deferred publication of the details of trades, investment firms trading outside a trading venue and market operators and investment firms operating a trading venue shall make public each transaction no later than at the end of the relevant period.

For non-equities the standard deferral regime allows for a T+2 deferred publication. National Competent Authorities can further calibrate the deferral regime, either by requiring some transparency within that T+2 timeframe, or “enhancing” the standard deferral and allow a supplementary deferral which may extend up to 4 weeks (longer for sovereigns). Each National Competent Authority within the EU has discretion over the deferral regime it implements.

UniCredit Bank AG will apply all deferral rules to publishing a post-trade transparency report as late as permitted by the relevant National Competent Authority and will monitor National Competent Authorities instructions to make sure that further deferrals mandated by National Authorities are implemented as soon as technically possible.

4.2. METHODS OF PUBLICATION

Investment firms which, either on own account or on behalf of clients, conclude transactions in bonds, structured finance products, emission allowances and derivatives traded on a trading venue shall make public the volume and price of those transactions and the time at which they were concluded. That information shall be made public through an APA

UniCredit Bank AG will make public its post-trade transparency reports via Deutsche Börse Approved Publication Arrangement (APA). For additional information, please visit

<http://www.mds.deutsche-boerse.com/mds-en/regulatory-services>

In order to obtain access to UniCredit Bank AG’s post-trade transparency reports free of charge, please contact: data.services@deutsche-boerse.com

UniCredit Bank AG’s pre-trade transparency reports are also accessible via several market data vendors via their commercial offerings.

5. QUOTES SPECIFICATIONS

As described in Section 2, UniCredit Bank AG will make public firm quotes when required to do so. All quotes published will be executable under certain conditions detailed in Sections 5.1 to 5.6. This will reflect the firm's willingness to trade a certain financial instrument at a certain point in time.

However, all those conditions will need to be satisfied in order to action a particular quote published by UniCredit Bank AG. Therefore, the publication of a quote shall be intended mainly to enhance market transparency and the price discovery process and not automatically as an indication that any client would be able to trade with UniCredit Bank AG at the published prices.

It is particularly important to note that in for OTC derivatives quotes are considered "all-in" and includes costs and charges that may be applicable only to clients who requested them. Therefore, those quotes will be published only when all those costs and charges are known and this also mean that those quotes might be inapplicable to other clients.

5.1. QUOTE VALIDITY

All quotes are considered valid at the time of publication and for a reasonable amount of time to allow clients to accept the price. The validity of the quote can vary according to execution venues and asset class.

UniCredit Bank AG reserves the right to update its quotes at any time and to republish the updated quotes via the methods of publication described in section 3.2.

Additionally, UniCredit Bank AG reserves the right to withdraw all its quotes during exceptional market conditions in order to limit its exposure to undue market risk. UniCredit Bank AG considers all, but not only, the following events as representing exceptional market conditions:

- All events normally halting trading on the regulated market on which the financial instrument is quoted.
- Two trades in the same instrument occurring within 1 hour with a price difference exceeding 10%.
- A change in the price of the underlying instrument exceeding 10%.
- Trading volumes exceeding by more than 30% the 30-day average traded volume in a certain instrument.
- A credit rating downgrade or upgrade of the Federal Republic of Germany.
- A credit rating downgrade or upgrade of UniCredit Bank AG.
- A credit rating downgrade or upgrade of UniCredit S.p.A.
- Publication regarding the underlying asset by the underlying company such as, but not limited to, earning announcements, merger and acquisitions, etc.
- Publications on the underlying company such as, but not limited to, earning announcements, merger and acquisitions, etc.
- Actions phase in the trading system of the underlying's main trading venue.
- Major economic and political events such as countries leaving the European Union, Central Banks interest rate announcements, sovereign defaults, etc.
- If a financial instrument's underlying asset cannot be traded or if the underlying index is not available.
- When the price of the financial instrument is offered at a level lower than the variance of the price range at which the Liquidity Provider undertakes under this agreement.
- During the liquidation of futures contracts on the index concerned if this index underlies the Financial Instrument.
- In the case where the entire issued quantity of the financial instrument issued has been sold. In this case, only a purchase price may be entered.
- In the case of a malfunction in the systematic internalisers trading systems or the systematic internalisers technical means of communicating Orders, unless this arises from gross negligence, negligence or an intentional act by the systematic internaliser.

5.2. QUOTE SIZE

All quotes are considered valid only up to the size shown with the quote. UniCredit Bank AG reserves the right to allow clients to trade for a lower size than the one indicated in the quote.

The quote size published by UniCredit Bank AG is only valid together with the price published for that quote. New quotes will be made available with a new size. Price and size of the quote must never be considered separately

UniCredit Bank AG may accept entering into a transaction for a size above which pre-trade transparency is not required.

5.3. NUMBER OF EXECUTIONS

All quotes are valid for one transaction only. The timestamp of the quote request by the client will be used to assess priority of execution for clients.

Multiple executions related to the same quote are allowed only at UniCredit Bank AG discretion and overall up to the size shown in the quote published for pre-trade transparency purposes.

5.4. PRICE IMPROVEMENTS

In certain circumstances, UniCredit Bank AG may execute orders at a better price in accordance with Article 18 (9) MiFIR.

5.5. ACCESS TO QUOTES, EXECUTION VENUE

Access to quotes is given to qualified market participants with access to at least one of the following execution platforms:

<https://www.hypovereinsbank.de/hvb/footer/rechtliche-hinweise/legal-information>

Execution Venue	Website
cats (Börse Stuttgart cats GmbH)	www.bs-cats.com/
TradeLink (vwd TransactionSolutions)	www.transactionsolutions.de
HypoVereinsbank	www.hypovereinsbank.de
UniCredit S.p.A.	www.unicredit.it
Cordusio SIM S.p.A.	www.cordusio.it

A market participant is deemed as qualified for trading with UniCredit Bank AG if they fulfil the requirements specified by the individual platforms' terms and conditions and the requirements of UniCredit Bank AG.

Please refer to each platform's terms and conditions as UniCredit Bank AG acts as a market maker providing quotes and execution services in accordance to each platform's terms and conditions.

5.6. TECHNICAL ISSUES AND BACK-REPORTING

UniCredit Bank AG is committed to maintain robust and resilient quoting and reporting systems in order to ensure timely publication of quotes and trade data in line with all relevant regulations.

In case of unforeseeable technical issues that prevent UniCredit Bank AG from publishing quotes and trade data on time, all unpublished quote and trade data will be published as soon as the technical issues are resolved.

If the issues persist for longer than one day, a notice will be published on the onemarkets website in all different language:

- www.onemarkets.de
- www.onemarkets.at
- www.onemarkets.fr
- www.onemarkets.it

6. QUARTERLY QUALITY OF EXECUTION REPORTING ACCORDING TO RTS 27 MIFID II

The regulatory technical standards of the Markets in Financial Instruments Regulation (Delegated Act (EU) 2016/3333) mandates trading venues and investment firms acting as systematic internaliser to make public quarterly reports providing transparency on quality of execution of trading activities in terms of price, volume, execution-time.

Quarterly reports for all financial instruments where UniCredit Bank AG acts as systematic internaliser are available in section "MiFID for CIB clients" under the folder "Reporting" on internet:

- <https://www.hypovereinsbank.de/hvb/footer/rechtliche-hinweise/legal-information>

7. CONTACTS

For any question in relation to this policy and UniCredit Bank AG's execution services, please contact us:

General matters:

UniCredit Bank AG – MiFIDII Markets Support:

MiFIDII_Markets_Support@unicredit.de

Germany

onemarkets@unicredit.de

+49 (0)89 378-17466

Mon – Fri from 9.00 a.m. to 6.00 p.m.

Italy

info.investimenti@unicredit.it

800.01.11.22*

+39 02 30091311

France

bienvenue.bourse@unicredit.fr

00.800.90.12.90.12

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