

Policy for the execution of orders in financial instruments

CONTEXT

When executing or transmitting transactions in financial instruments, institutions are required by regulation to take all sufficient steps to obtain the **best possible outcome** for their clients. The present document details the execution policy of Banque Degroof Petercam (herein after “the Bank”), in line with the Markets in Financial Instruments Directive (MiFID II, 2014/65/EU) and particularly article 27.

The execution policy is considered as accepted by the client when the customer gives an order for execution or transmission to the Bank.

Specifically, acceptance of the present policy implies the client’s explicit consent to:

1. the general provisions of the present execution policy;
2. the possible execution of an order outside a trading venue;
3. the possible delay in communicating a limit order to the market.

The latter two conditions are further explored in the present policy.

The acceptance and execution or transmission of orders on any financial instruments may be subject to any conditions imposed by the Bank. Where appropriate, the conditions for the execution of certain specific transactions may be determined in the framework of specific agreements.

EXECUTION QUALITY CRITERIA

Within the limits of the present execution policy, the Bank determines the criteria it deems most appropriate to consider and prioritize in the execution of any transaction.

This encompasses

- the price,
- all implicit or explicit costs,
- the speed and likelihood of execution and settlement,
- the size and nature of the order and
- any other parameters that may impact the quality or total cost of execution.

The Bank interprets the above criteria giving full consideration to

- characteristics and MiFID classification of the client;
- characteristics of the order;
- characteristics of financial instruments that are the subject of that order; and
- characteristics of the execution venues to which that order can be directed.

For retail clients, in accordance with regulatory requirements, the best possible outcome depends on the total consideration, taking into account both the price of the financial instrument and the overall costs of executing the transaction - including any fees paid to third parties involved in the execution of the order.

For professional clients, in accordance with regulatory requirements, the best possible outcome depends on the relative evaluation of the aforementioned criteria depending on the market circumstances.

For eligible counterparties, in accordance with regulatory requirements, the present execution policy will not apply.

The Bank monitors the quality of execution obtained for its clients in a systematic manner through various controls and reports.

Clients may be provided with additional information and details of execution quality on request.

EXECUTION VENUES, INTERMEDIARIES AND COUNTERPARTIES

The Bank selects execution venues able to ensure the best execution of the orders on behalf of its clients with regard to relevant criteria and conditions detailed earlier.

The Bank may accordingly use as execution venues any of the following types of venues as defined in the regulation¹:

- Regulated markets;
- Multilateral Trading Facilities (MTF);
- Organised Trading Facilities (OTF);
- Systematic Internalisers (SI);

or alternatively execute transactions OTC, through internal sources of liquidity for certain specific instruments.

The Bank may execute orders outside a trading venue when in the best interest of the client, and considers the endorsement of the present policy an express consent of its clients to such treatment.

The Bank may also rely on intermediaries to carry out the transactions entrusted to it by its clients. It may call upon one or more intermediaries of its choice whenever it considers it necessary or in the best interest of the client. The Bank ensures these intermediaries provide own execution policies matching the quality criteria set forth in the present policy.

Selection of execution venues and intermediaries is based on the below explicit criteria, in order of importance:

- Market share and liquidity, ensuring consistence in price efficiency and ability to handle typical orders the Bank executes on behalf of its clients;
- Performance in execution, expressed as consistence in meeting execution quality criteria (overall costs, speed and likelihood of execution and settlement); and
- Resilience and reliability, ensuring stable best possible execution results.

Lists of execution venues and intermediaries selected by the Bank are maintained as appendices to the present policy and are available from the website of the Bank. These lists may be non-exhaustive as the Bank may select other execution venues and intermediaries when deemed appropriate, in accordance with the present policy.

The regular evaluation of the execution quality provided through the selected venues or by the selected intermediaries feeds into a formal review and may lead to changes in the list. Formal review is organised at least on an annual basis, while specific circumstances may also prompt immediate changes outside the formal regular review cycle. The lists of selected execution venues and intermediaries are regularly reviewed and updated, at least annually and following every formal review.

In some specific cases, the Bank may execute transactions against internal sources of liquidity in its quality of execution broker. This concerns essentially fixed income, derivatives and structured products, for which such transactions are executed on a fixed price basis.

¹ MiFID (Directive 2014/65/EU), Article 4

SPECIFIC INSTRUCTIONS

Customers who want to stray from the Bank's execution policy must send a specific instruction with their order in written form to that end. Any specific instructions from the client may prevent the Bank from taking the steps that it has designed and implemented in its execution policy to obtain the best result for the execution order, which the client expressly accepts.

Unless otherwise instructed, a specific instruction given for a particular transaction is valid only for that single transaction, other client orders being deemed to be transmitted for execution in accordance with the execution policy.

In executing or routing specific instructions, the Bank will give priority to the specific instruction over all other relevant execution quality criteria.

HANDLING AND GROUPING OF ORDERS

Orders are executed promptly and precisely in the chronological order in which our Bank receives them, taking into account the channel through which each order is received. Comparable client orders are hence executed in the chronological order of their arrival, unless the nature of the orders concerned or market conditions make this impossible or clients' interests call for a different procedure.

The Bank may, in relevant circumstances, group similar orders to form a block whenever it reasonably believes that it could obtain a better result than when executing the orders separately. An order allocation policy is established and implemented, providing in such case for the fair allocation of aggregated orders and transactions. Consolidation may however occasionally produce a less favourable result for a particular order. By endorsing the present execution policy, clients explicitly allow the Bank to act in this manner.

LIMIT ORDERS

The Bank accepts limit orders from clients. As a standard, limit orders are immediately communicated to the market for execution.

The Bank may, in relevant circumstances, delay the transmission of a limit order in order to protect the best interest of the client due to specific market liquidity or price conditions. To that end, the delayed order may be transmitted either in full or gradually to the market. By endorsing the present execution policy, clients explicitly allow the Bank to act in this manner.

MONITORING AND REVIEW

The Bank regularly checks the effectiveness of its execution policy and periodically reassesses its order execution policy in the light of these checks and all other relevant factors. Such assessment is performed on at least an annual basis, and may be performed more frequently as circumstances call for it.

Any changes to the execution policy and its annexes will be brought to the client's notice in the manner determined by the Bank according to the materiality of the changes. Information regarding the policy is always available from the website of the Bank in the "investor protection" section.

On an annual basis, the Bank publishes, in line with the regulatory requirements, a report of activity detailing its top five counterparties regarding each class of financial instruments. The report, like information regarding the policy, will be available from the website of the Bank.

EQUITY MARKETS

Scope

The Bank provides execution of equity instructions on the market on an agency basis, or OTC in its capacity of execution broker.

As agency broker, the Bank relies on membership in several venues, a regularly monitored network of brokers as well as an access to key algorithmic trading platforms.

For the purpose of liquidity providing or facilitation, the Bank may execute transactions OTC as execution broker on agreed specific terms, at a fixed price.

Whenever the Bank and the client agree to a transaction specific terms and fixed price, the general provisions of the execution policy do not apply.

Key considerations

In order to provide the best possible outcome for clients on a consistent basis, the Bank takes into consideration the below factors, in addition to the standard best execution criteria detailed in the policy:

1. Instruction details (e.g. market, direction, potential applicable restrictions, blockable or not);
2. Possibility to cross client orders where and when permitted.

Smart Order Routing is then used to determine the best execution venue through all relevant criteria.

FIXED INCOME

Scope

The Bank provides execution of fixed income instructions on the market or OTC in its capacity of execution broker. The Bank acts as principal, and all transactions are considered executed on agreed specific terms, at a fixed price.

The Bank may also provide execution of fixed income instructions on an agency basis if agreed with the client. Instructions not initiated as agency orders will be executed on agreed specific terms, at a fixed price.

Whenever the Bank and a non-retail client agree to a transaction specific terms and fixed price, the general provisions of the execution policy do not apply.

Key considerations

In order to provide the best possible outcome for clients on a consistent basis, the Bank takes into consideration the standard best execution criteria detailed in the policy to determine the broker providing the best execution.

LISTED DERIVATIVES

Scope

The Bank provides execution of listed derivatives instructions on the market on an agency basis.

As agency broker, the Bank relies on a regularly monitored network of brokers and counterparties as well as an access to key trading venues.

Key considerations

The Bank reviews as key criteria the market, size of the order and type of order.

For non-blockable order,

1. for US market, order is sent to a US-based broker for execution;
2. for European market, the Bank will execute at best, or place the order with a limit on a venue;
3. for the Rest of the World, the desk will send the order as a manual trade to one of their established brokers.

For blockable orders, the Bank will ask at least three counterparties for their best price whether it's a market order or MOC. The order will be traded with broker/counterparty which has provided best price and crossed within the specified time limit in accordance with market practice.

STRUCTURED PRODUCTS

Scope

The Bank provides execution of structured products instructions on the market or OTC in its capacity of execution broker. All transactions are considered executed on agreed specific terms, at a fixed price.

The Bank may also provide execution of structured products instructions on an agency basis if agreed with the client. Instructions not initiated as agency orders will be executed on agreed specific terms, at a fixed price.

Whenever the Bank and a non-retail client agree to a transaction specific terms and fixed price, the general provisions of the execution policy do not apply.

Key considerations

In order to provide the best possible outcome for clients on a consistent basis, the Bank maintains an open network of structured product manufacturers. Based on clearly defined criteria, the transaction will always be executed with the provider of the best price.

OTC DERIVATIVES

Scope

The Bank provides execution services in OTC derivatives.

The Bank act as principal. The Bank will execute orders on the following trading venues :

- MTF when available;
- OTF;
- when none of the above options is available, the Bank will execute OTC.

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