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# Tradition Financial Services España Sociedad de Valores S.A.U.



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REGULATORY THEME	INVESTOR PROTECTION
SUB-THEME (1)	CUSTOMER INFORMATION
SUB-THEME (2)	FEES, COMMISSIONS AND CHARGES
SUB-THEME (3)	-

## POLICY ON FEES, COMMISSIONS AND CHARGES RELATED TO SERVICES OFFERED TO CUSTOMERS

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## 1. PURPOSE AND REGULATORY REFERENCES

The purpose of this Policy is to set out the guiding principles to conduct the activities of Tradition España Financial Services Sociedad de Valores S.A.U. (from now on « TRADITION ESPAÑA ») and its handling of interests and order execution. It specifies the terms and conditions for carrying out client matching requests and the submission of orders onto trading platforms, venues and facilities. It provides information on the fees, commissions and charges related to the products and services offered to clients, and the compliance with applicable regulatory obligations.

, in particular:

- Directive 2014/65/CE of 15 May 2014
- Delegated Regulation (UE) 2017/565 supplementing Directive 2014/65/CE
- Delegated Regulation (UE) 2017/573 supplementing Directive 2014/65/CE

## 2. SCOPE OF APPLICATION

This Policy is provided to you as a professional client to TRADITION ESPAÑA [*“the company”*] or an eligible counterparty with it, regardless of whether you are an elective professional client or a per se professional. It applies across all its business for Financial Instruments, including that carried out within its branches.

This Policy is not directed at, or intended for, retail clients and should not be considered for such persons. For the avoidance of doubt, the company is not subject to any requirements which are set out in the Spanish National Securities Commission (CNMV) Circular 7/2011 of 12 December concerning articles 78 bis and 78 ter of the Securities Market Act; article 61 of Royal Decree 217/2008), wherein investment firms resident in Spanish territories are obliged to categorise their clients as retail or professional<sup>1</sup>, and the former are obliged to be treated under published rate information leaflets and standard contract contents.

Concerning those clients classified as professionals, investment firms may classify certain entities as an *Eligible Counterparty* [“ECP”]. Such firms may still be treated by *the company*, either generally or for each transaction, as “clients” per article 78 ter of the Securities Market Act.

In accordance with MiFID II and where best execution may apply, *the company* will take all sufficient steps when executing orders or providing quotes, to obtain the best possible outcome for its clients, taking into account the execution factors set out in herein.

The requirements relating to obtaining the best possible outcome (*“Best Execution”*) for clients will be applied to any relevant transaction, in a financial instrument where any part of the origination or execution of the client order involves a staff member of the company entering into a direct relationship with the client, regardless of where the client is located.

It is important to set out that the company's *Best Execution Obligations* shall not apply to transactions that are carried out either at the request of an ECP or do not entail MiFID financial instruments, including the following:

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<sup>1</sup> **Retail client:** all clients not falling into the professional category (article 78 bis of the Securities Market Act). They are entitled to maximum protection levels.

**Professional client:** those assumed to have the experience, knowledge and qualifications necessary to make their own investment decisions and properly assess their risks, without prejudice to their being able to request non-professional treatment and investment services companies being able to afford them a broader degree of coverage (article 78 bis of the Securities Market Act).

- a) the provision of finance and REPO;
- b) exempt commodities in the form of “Wholesale Energy Products”
- c) deposits, loans in respect of primary or secondary market loan trading;
- d) bonds prior to issuance as WI instruments being arranged in the so-called “Grey Market”
- e) certain foreign exchange transactions which are either “Spot” or undertaken for commercial purposes;
- f) transactions arising from the exercise of an option (on the basis that *the company* will treat an instruction to exercise an option as a Specific Instruction from the client to exercise its rights under the option contract and will not take into account of the state of the underlying market at the time).

The complete list of the relevant “MiFID financial instruments” to which this Policy applies are defined in Appendix

### 3. GUIDING PRINCIPLES

In acting under licenced permissions as an Investment Firm, *the company* and its employees must at all times act with integrity, honesty, loyalty, professionally, and with due competence, care and displaying the diligence required to serve the best interests of its clients.

Specifically, *the company*:

- operates under policies and procedures that enable it to adhere to execution rules which comply with all relevant regulations and third-party rules such that it protects its reputation and prudential controls
- adheres to its rules in relation to avoiding and/or managing potential conflicts of interest.
- endeavours to ensure that all clients, regardless of classification, are treated fairly during the arrangement, execution and post-trade processing of trades.

*The company* operates with all relevant policies and procedures which enable it to adhere to best execution rules which protect its reputation and financial integrity. It adheres to the relevant rules together with its own policies in relation to the avoidance of, or mitigation and management of, any potential conflicts of interest arising. *The company* also endeavours to ensure that all clients, regardless of classification, are treated fairly at all times.

*The company* offers MiFID investment services as brokerage under the specified activity of the Reception and Transmission of Orders together with the operation of multilateral trading venues. These comprise the following methodologies:

- Name Give UP
- Matched Principal
- Trade Registration by submission onto EU trading venues
- Trade Registration by submission onto recognised third country EU trading venues
- Agency services including the submission of orders onto EU and recognised third country trading venues

*The company* is required to provide clients and potential clients with all relevant and appropriate information:

- The investment firm, its authorisations, close links and any other relevant information including conflicts of interest and ongoing litigation
- Services and memberships offered,
- Scope of Financial instruments offered
- Execution platforms,
- All related fees, commissions and charges (hereinafter, «Brokerage»).

This information shall be provided in Spanish or English or in both languages, so that clients or potential clients can reasonably understand the scope and limitations of the investment services offered, together with any associated risks, reliance's and representations, so that they can therefore make informed investment decisions.

*The company's* fee structures including commissions, spreads, tertiary platform execution fees, and any ancillary fees, together also with any rebates and errors policies must be transparent, fair and non-discriminatory. These structures are not intended to create incentives to place, modify or cancel orders or to execute transactions in any way that contributes to disorderly trading conditions, , or harbours market abuse or financial crime.

## 4. APPLICABLE DISCLOSURE REGIMES

Licencing regulations require that *the company* demonstrates that it is taking all sufficient steps to obtain the best possible outcomes for a client in line with full and Ex-Ante disclosures (RD MiFID 2, art. 50.2 and .6) and taking into account the execution factors set out below.

*The company* will ensure that fees, spreads and commissions charged on transactions are either pre-disclosed and mutually agreed with the client; or otherwise reasonable, not excessive and will be within a range that is considered proportionate for the product type, tenor and size of the trade given the prevailing market conditions where consequent to specific client instructions.

For the avoidance of doubt, *the company* will at all times seek to achieve the outcomes deemed in the best interest of the client which are in accordance with the execution policy and any 'best execution' regulatory requirements. This may involve the discretion of *the company* who will not seek to benefit from clients through asymmetric price movements, such as where we could pass on any adverse price movements to the client while retaining any movement in the client's favour.

We take into account our own commissions and the costs of executing an order in each of the relevant 'Execution Venues' when assessing and comparing the results that would be achieved for a client by executing an order on the relevant Execution Venues listed below. These fees are clearly disclosed to clients in advance and include all execution venues operated by *the company or its affiliates*. As a general assurance, *the company* does not structure or charge their commissions in such a way as to discriminate unfairly between execution venues. In any event, this information is provided on the basis of an estimate<sup>2</sup> to its customers and potential customers by making available on its website the document "Information relating to costs and fees charged to customers"<sup>3</sup>.

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<sup>2</sup> Estimate based on past costs related to similar services and financial instruments.

<sup>3</sup> Fees and Charges policy in TFSE's website

For the avoidance of doubt, there is no product origination nor product distribution costs for TRADITION ESPANA, in applying the «**Service only**» regime across all of its clients.

In addition, depending on the type of financial instrument concerned and the type of service offered, this information may be formalised in different ways, including but not limited to: a specific bilateral fee schedule, a specific clause in a Term-Sheet

The **Ex-Post disclosure regime** does not apply to the extent that TRADITION ESPAÑA does not provide any investment advisory services and only has a relationship with Professional clients or Eligible Counterparties (no ongoing relationship).

#### 4 Best Execution

“Best Execution” is the specific legal requirement under Article 27(1) of MiFID II to take all sufficient steps to obtain the best possible result when either executing transactions on the client’s behalf or using other affiliates or brokers to execute transactions.

Whilst these requirements are due to be revised and deleted under forthcoming revisions, they currently take into account the following execution factors:

- i. price;
- ii. costs;
- iii. speed;
- iv. the likelihood of execution and settlement;
- v. size;
- vi. the nature of the transaction; and
- vii. any other consideration relevant to the execution.

Whilst price or market fill will ordinarily merit a high relative importance in obtaining best execution, in some circumstances, for some clients, orders, financial instruments or markets, *the company* may reasonably determine that other execution factors are more important than price.

For example:

- there is no formalised market or settlement infrastructure for OTC transactions,
- in some markets, price volatility may mean that timeliness of execution is a priority,
- in other markets that have low liquidity, the act of execution may itself constitute best execution.

Under *the company’s* Order Execution Policy, it will check the fairness of the price achieved for a client in a variety of ways, ensuring that the best possible outcome is achieved for the client.

In other cases, our choice of execution venue may be limited down to a single execution venue or market facility upon which we can execute a client’s trading interests and orders.

In many cases, the nature of the client interests are such that transactions are arranged, and trading interests are brought about in order to meet the client’s specific requirements, wherein there will be no comparable products available in the market from which any meaningful price and cost comparison could be made. These cases include but are not limited to: transactions that are large in scale, those which are time limited; packages, spreads, portfolios, structured products and bespoke OTC transactions which may be classified as “Complex Trades”. *The company* will assess the unique features of the transaction and the client’s instructions to determine the relevant execution factors to take into account in executing your order.

In general these *Execution Criteria* are pursuant to Article 27(4) of MiFID and shall

comprise of:

- i. The characteristics of the client including the categorisation of the client as an ECP, a professional customer, or an ‘elective’ professional customer;
- ii. The characteristics of the client interests and orders;
- iii. The characteristics of financial instruments that are the subject of those interests and orders
- iv. The characteristics of the execution venues onto to which those matched interests could be submitted or any order could be directed.

## **Application of Best Execution**

### *(a) Agency or agency style trading*

- The obligation to provide best execution under Recital (24) of MiFID II will arise in circumstances where *the company* acts in an agency capacity or otherwise holds a contractual obligation to do so.

### *(b) Matched Principal trading*

A matched principal transaction involves two orders, the execution of one being dependent upon the receipt or execution of the other; hence, there is no “risk” in the interdependent transactions when completed.

Execution obligations apply where we are acting in a matched principal capacity because the client is placing a legitimate reliance on *the company* in relation to the execution outcomes of the transaction.

When executing on a matched principal basis and in order to determine whether the client is placing legitimate reliance on *the company*, the four considerations set out by the European Commission which should be applied: .

- i. *Which party initiated the transaction.* In circumstances where *the company* may communicate trade ideas, market communications or indicative prices as part of general business, we do not believe that this will be deemed to have initiated the transaction;
- ii. *The market practice and the existence of a convention for clients to “shop around”.* Where market practice for a particular asset class or product suggests that the client should hold a ready access to various providers who may provide quotes, this constitutes the capability to shop around and removes any placement of legitimate reliance on *the company*. In general, this is how we consider the vast majority of transactions with wholesale professional clients and ECPs are to be executed;
- iii. *The relative levels of transparency within a market.* In circumstances where pricing information is transparent, and it is reasonable that the client has access to such information, and it is unlikely that it would be placing legitimate reliance on *the company*
- iv. *The information provided by the client and any agreement reached.* Where any transaction level agreements or mutual arrangements between the client and *the company* do not indicate or suggest that any legitimate reliance is agreed to provide best execution.

### *(c) Possible examples of legitimate reliance*

Circumstances for legitimate reliance on *the company* may include, but are not limited to:

- i. where *the company* attempts to find the opposite side of your trade on a matched principal or agency basis and, therefore, elects not to execute on a risk basis. Resting Orders would be an example of such activity.
- ii. trades where *the company* is given discretion on how and when to execute client interests or orders either on an agency or matched principal basis.
- iii. where the client seeks to exit or unwind a complex or structured trade where it would be considered that it is unable to shop around;
- iv. transactions where a hedge executed by *the company* is the specific reference price

- used to determine the level of an underlying price for the client's derivative transaction; and
- v. other circumstances where the client may be considered to be a captive client and would therefore be unable to seek alternative and comparable indications or quotes

The obligation to provide best execution will not generally apply where the client:

- i. seeks a quote in competition and holds the capability to shop around for alternative prices;
- ii. specifies the price or quote and consequentially the trade is executed on risk; or
- iii. applies other conditions which may be considered as specific instructions

### **Request for Quote [“RFQ”]**

Best execution obligations are unlikely to apply where we provide a price quotation or an indication under RFQ, as we consider that in the context of the European Commission's four considerations there is no legitimate reliance being placed on *the company* to meet the relevant best execution requirements.

### **Specific Instructions**

Where the client provides *the company* with a specific instruction in relation to an order, we are obliged under Article 27(1) of MiFID II to follow such instructions in so far as is reasonably possible when executing the trade. Any Specific Instructions will be deemed to have satisfied the best execution obligations. Such instructions will commonly relate to requests to execute on a particular venue, to execute an order over a particular timeframe, or with reference to specified post-trade processing.

In circumstances where any specific instructions apply only to one leg or to one aspect of an order, *the company* will follow that instruction so far as is reasonably possible and the remaining segments of that transaction may still be applicable for best execution in accordance with the criteria pre-agreed or set out herein.

For the avoidance of doubt, *the company* will not induce you to instruct us to execute an order in a particular way. However, this does not prevent *the company* from inviting you to choose between two or more specified execution venues or post-trade infrastructures whose selection is consistent with this Policy.

We underline that any specific instructions in respect of an order may prevent *the company* from taking the steps designated in this Policy, to obtain the best possible result for the execution of such order. {“a clear and prominent warning that any specific instructions from a client may prevent the firm from taking the steps that it has designed and implemented in its execution policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions; “

### **Application of execution factors**

In order to achieve the best possible result for the client, *the company* will appropriately consider the range and relative importance of execution factors when determining the objective for the best outcome in accordance with Article 27(1) of MiFID II:

- i. **Price;** This is the price at which a “MiFID financial instrument” is executed at.
- ii. **Costs;** This includes implicit costs such as the possible market impact, explicit external costs such as execution venue and clearing fees, together with the stated costs of *the company* which represent remuneration through fee's, commission or spread.
- iii. **Speed;** This is the time it takes to negotiate, arrange, match and execute a client interest
- iv. **Likelihood of execution and settlement;** This is the likelihood that we will be able



- to complete a client transaction.
- v. **Size;** This is the impact of the scale of the transaction in affecting the outcome of execution;
  - vi. **Nature of the transaction or any other consideration relevant to the execution of the transaction;** This is how the particular characteristics of a client transaction can affect how execution is achieved and communicated.

Considerations specific to each asset class will further inform on how the execution factors are taken in account to achieve execution outcomes.

These include:

- i. the characteristics and categorisation of the client;
- ii. the characteristics of the client orders comprising the total interest, such as including where the transaction involves a securities financing transaction (SFT));
- iii. the characteristics of the “MiFID financial instruments” that are the subject of the transaction; and
- iv. the characteristics of the matching protocols, including any execution venues to which the orders or transaction could be submitted or registered

Overall, *the company* considers that the most important execution factor for our professional clients and ECPs is the price which the relevant total interest is executed at. Clearly those interests will often include segments that may not be MiFID financial instruments. Consequently the primary execution factors may vary, and price may no longer be the dominant execution factor.

For example, for transactions in illiquid securities, the likelihood of execution, the market impact and pre-arranged borrowing requirements become more important.

*The company* will always seek to achieve the best outcome across the full range of factors and understands that from time-to-time these may conflict with each other.

## **Method of execution**

### *a. Execution Venues*

In order to take sufficient steps to consistently obtain the best possible outcomes for the client, and in the absence of any specific instruction, *the company* will select an execution venue that is most appropriate having regard to the relative importance of the execution factors specific to that order. Typically, *the company* may use one or more of the methods of execution as well as execution venues when executing orders to fulfil client interests.

These include, but are not limited to:

- i. Directly to Trading Venues such as Regulated Markets (RM), Multilateral Trading Facilities (MTF) and Organised Trading Facility (OTF), or recognised Third Country trading venues or other execution platforms or facilities where segments of the client interest are not MiFID financial instruments. These include trading venues operated by *the company* or its affiliates, third party execution venues where *the company* is a member, third party execution venues where *the company* is not a direct member, or through another affiliated broker.
- ii. Where *the company* holds express consent, it may execute orders on client’s behalf outside the execution platforms set out above.

Before using any new execution venue, *the company* undertakes appropriate due diligence to ensure that it complies to all relevant requirements and that it shall contribute to *the company’s* capability to deliver the execution outcomes in accordance with each of the best execution factors. Where *the company* accesses the market through a broker, it undertakes its own due diligence on that firm, including a consideration of

the tertiary venues to which it provides for access. Pursuant to Commission Delegated Regulation (EU) 2017/575, *the company* monitors this on an ongoing basis, including through periodic review.

*The company* will promptly communicate to clients at which execution venue any order has been executed in accordance with Article 27(3) of MiFID II. *The company* will not unfairly discriminate between execution venues nor make any decision not based on the consideration of the execution factors. In particular, and in accordance with Article 27(2) of MiFID II, *the company* does not receive any remuneration, discount, kickbacks or non-monetary benefit from routing client orders to any particular execution venue.

A non-exhaustive list of execution venues which are accessed directly and where *the company* may place significant reliance for the execution of orders is set out in the Appendix to this Policy.

#### *b. Direct Market Access*

Direct Market Access (“DMA”) orders received by *the company* where an execution venue is specified by the client and orders are routed directly to that venue on a non-discretionary basis. In such circumstances where *the company* does not take an active role in determining the execution parameters, it shall seek to transact that order in accordance with specific instructions and the client takes responsibility for achieving any execution obligations.

Whilst acting on client behalf in providing the DMA service, *the company* reserves the right however to intervene in the routing and execution of DMA orders where the original parameters could result in adverse market impact.

#### *c. Affiliates and Brokers*

Where *the company* chooses to utilise either affiliated or non-affiliated brokers to arrange the execution of client trades, it undertakes periodic reviews to determine that any such delegation to a firm is able to provide the sufficient and appropriate level of experience and expertise.

On a periodic basis, *the company* also ensures that, whilst taking into account all relevant execution factors, affiliate and non-affiliate broker executions are monitored, such that *the company* satisfies that its own execution criteria are being met on a consistent basis and any conflict of interests are managed appropriately.

The use of affiliates provides specific benefits to client executions. These factors include, but are not limited to, local liquidity pools, access to borrowing and funding, consistency of order handling and front-to-back trade processing. Whilst aware of potential conflicts of interest in delegating affiliates to execute client orders, *the company* shall seek to mitigate such conflicts through monitoring and review programmes.

#### *Consent to execute away from a Trading Venue*

*The company* may arrange and execute all or part of client interests outside of an execution venue such as RMs, OTFs, MTFs, DCMs, SEFs and RMOs. In accordance regulatory requirements, *the company* shall requested explicit client consent to execute transactions or orders outside of an execution venue related to such arrangements.

The request to provide such consent is included in *the company's* Terms of Business. In the absence of any explicit pre-agreement, any specific order placement may also be considered as the provision of consent to trade outside an execution venue, if *the company* believes that it is in the client’s best interests so to do so. For the avoidance of doubt, this enables *the*

*company* the flexibility to deploy a wider range of potential outcomes.

Relevant consequences resulting from an interest being executed outside of an execution venue include risks that it may be more difficult to find counterparties with sufficient credit and processing capabilities following a match; it may not be eligible for CCP novation; it may not be anonymous; there may not be as much transparency as to market depth; and the process may not involve so many integrated or automated systems leading to greater operational risk.

*The company* may also be required to obtain the client express consent when arranging transactions for submission onto third party execution venues, or where intending to exercise discretion to decide whether or not to publish unexecuted limit orders. Any such requests for explicit consent would be separately set out in is included in *the company's* Terms of Business.

We may provide this Policy and any changes to it on our website, and you may confirm consent by email, or alternatively by signing and returning the relevant documentation.

## 5. APPLICABLE RULES TO TRADITION OTFs

This section relates to any interests submitted onto *the company's* OTFs and applies to all clients or any potential clients regardless of classification as a Professional Client or an eligible counterparty. Any such wholesale client who opts to be a participant or counterparty on TRADITION ESPAÑA's OTFs will be subject to the relevant rulebook and fee structures provided in their onboarding pack as well as on the TRADITION ESPAÑA's website {<https://traditionespana.com>}. This policy section should be considered in close conjunction with the OTF Rulebook.

Those fee structures apply in compliance to Article 27(1) of MiFID II, and may include, where applicable, execution fees, ancillary fees, market maker schemes, any discounting structures and errors policies. They apply to any trades whether submitted to the OTF execution venue as an order to be matched under the protocols of the venue; or whether bilaterally matched as a 'Large in Scale' transactions by the firm in order for alleges to be subsequently submitted onto the OTF for registration and execution in accordance its rulebook.

These are provided to all clients in a transparent, fair and non-discriminatory way. They shall not seek to create incentives to place, modify or cancel orders or to execute transactions in a way which contributes to disorderly trading conditions or market abuse. In conjunction with regulatory requirements and relevant notifications, *the company may alter its* fee structures were deemed appropriate under stressed or abnormal market conditions. For the avoidance of doubt, specific procedures have been established to govern the terms and conditions for waiving these fee structure if normal market conditions no longer apply as lack of products' liquidity in the market, clients demand or any other event that affects to the market stability.

*The company* reserves the right to adapt these fee structures in accordance with the different factors that are construed across its operations and business relationships. These include, but are not limited to: price, commissions, margin, fees, costs or any other element of the burden applied when executing trades, being subject to the TRADITION ESPAÑA's conflict of interest policy.

The only instruments that are accepted on the OTF are the "*OTF Instruments*" which are classified in the OTF Rulebook. The financial instruments that are in scope of the OTF include but not limited to:

- Fixed Income Securities (Bonds);
- Credit Derivatives

- Equity Derivatives
- Interest Rate Derivatives
- FX Derivatives
- Commodity Derivatives
- Money Market Instruments Swaps
- Structured products;

### **Order Discretion**

When a client seeks to make a transaction in whole or part involving a trade in an *OTF Instrument*, *the company* shall exercise its discretion as to whether to execute some or all of it through the OTFs or by any other means. In carrying out these activities *the company* may submit some or all of any client interest as orders to one or more execution venue, including the OTFs., provided that the OTF shall not connect with another OTF in a way which enables orders in different OTFs to interact.

Depending on the relevant details, including the type of financial instrument, *the company* may not access any other execution venue on the basis that in providing either matching or trade registration services, it may not provide any better execution outcomes. In this case it is likely that we will execute through *the company's* OTFs.

In the case of client specific instructions to execute some or all of the interests through *the company's* OTFs, *the company* will retain the right to exercise discretion in deciding whether to retract some or all of any orders from the OTF. For example, where a client order has been executed on another execution venue to which it was also submitted under a 'One-cancels-the-other' ["OCO"] protocol. *The company* also reserves the right to seek and achieve a more favourable outcome whereby executing some or all of any trading interest on another execution venue is deemed appropriate.

### **Execution Discretion**

Where *the company* executes a client order through its OTFs, it will seek to exercise discretion by deciding whether, when and how much any order to match with another order, by which trading protocol and on what terms at any given point in time. The exercise of this discretion by *the company* shall be on a case-by-case basis taking into account the relevant execution factors, including the nature of available trading interests and the different matching protocols or execution mechanisms that are available under the rulebook. In the case of client specific instructions as to how to execute the order, these shall be adhered to the extent of the instruction, but *the company* will still exercise discretion as to any parameters of the order, whether core economic terms or further details that have not been specified.

For example, in seeking to match trading interests, *the company* will advertise to other clients of the OTF in order to determine whether they would be willing to engage at the terms, the price, the amount or within the range requested.

In the event that there are multiple matching interests the OTF Rulebook will determine the protocol, but the overarching principle seeks in general to match on a price and time priority basis, whilst taking into account any specific instructions. These may include whether to execute against a single counterparty and whether credit is available without requiring a series of facilitating transactions.

Where trading interests do not exactly match or where *the company* considers that there is a reasonable likelihood of an improved outcome within a reasonable timeframe, *the company* may continue to seek further interests and negotiate with existing ones.

In accordance with the OTF Rulebook, the client shall be required to confirm finality of the core economic terms prior to execution. In case of matched principal transactions, *the company* shall not disclose the counterparty's identities to one another, nor to any relevant liquidity provider.

In the case of 'Name Give Up' protocols, where *the company* has matched trading interests, it may bring about a transaction between the clients directly, or together with a liquidity provider such that *the company* steps away from the transaction and retains no obligations to the counterparties. In this case, *the company* may act as agent for one counterparty without itself being party to the transaction. In this case, it would hold an obligation to the party for which it is agent and shall make all necessary disclosures. It will also have to disclose client details to one another as a part of the trade confirmation.

### **Order Handling**

Client Orders may be placed with *the company* through a variety of means. Orders placed through manual (phone orders or instant messaging) or electronic means (e.g. FIX protocol) will be dealt with by professional staff who will determine the strategy on handling your order, based on the prioritisation of execution factors above and taking into account any particular criteria or instructions provided.

Where an order is received that meets particular size criteria or specific parameters such as minimum block or crossing thresholds, it may be possible for *the company* to execute such orders away from any order book of the relevant execution venue by utilising the Large in Scale waiver, or the exchange's block or crossing functionalities. In all circumstances *the company* will seek the best possible outcomes for the client, given any parameters set, by utilising relationships with market makers or liquidity providers.

### **Derivatives**

Transactions involving derivatives shall be arranged multilaterally and normally executed on execution venues. Where subject to the Derivatives Trading Obligation instruments will be executed on MiFIR execution venues or those accorded deferential equivalence. Most derivatives products executed through the OTF trading venue are conducted on name give-up basis.

### **FX transactions**

FX trades are usually executed through a prime broker.

### **Cash bonds**

Bonds are usually executed on a matched principal basis and in most cases that shall be on an OTF.

### **Cash equities**

This asset class includes: common stock, rights, warrants, preference shares, American depositary receipts (ADRs) and global depositary receipts (GDRs) (collectively referred to as Cash Equities).

Trading interests may be either manual or electronic. Electronic orders are transmissions of client instructions to trade via the messaging protocol FIX.

*The company* usually executes transactions in cash equities as agent for the client under a direct market access ["DMA"] arrangement which affords access to a large number of relevant execution venues.

### ***Structured products***

Structured products are usually tailored specifically towards a clients' needs wherein *the company* approaches principal counterparties with which it holds an ongoing relationship and which it considers may be willing to become a product originator and distributor. This process will likely require *the company* to act as agent in binding the client into the transaction which has been arranged.

### ***Repurchase agreements (REPOs)***

Repo's fall outside the scope of financial instruments, but *the company* is required to comply with the Securities Financing Transaction Regulation ["SFTR"] where it arranges Repo's on a named give-up basis, whether or not the transaction is intended for clearing.

### ***FX Spot***

Transactions in FX spot are not financial instruments. They are arranged on a named give-up basis, whether or not the transaction is intended for settlement within CLS Bank

### ***FX Forwards, FX Swaps and FX options ["FX Derivatives"]***

Transactions in FX Derivatives are arranged on a named give-up basis, whether or not the transaction is intended for CCP Clearing.

FX options are commonly arranged as packages, either with the delta hedge or with contingent option legs to form a package or strategy. The trade component legs are therefore linked by the "Complex Trade ID".

FX Swaps are arranged as discrete trade legs brought together in an FX strategy in accordance with the "EVIA definitions of services".

### ***Exchange traded derivatives (ETD)***

*The company* does not take derivatives onto its own book, but rather crosses listed derivatives onto the relevant exchange and/or gives them up to a specified broker and/or clients arrange for the cross themselves. Clients may specify many of the aspects of these orders including both the Exchange and whether its seeks to cross for itself or seeks *the company* so to do for on their behalf.

*The company* owes a duty of best execution when submitting client orders onto an Exchange for execution. It therefore would consider itself to be in receipt of an order whenever a specific execution instruction is received which gives rise to contractual or agency obligations between the parties. This would normally be the case where a client transmits a trading interest that is not immediately executable. Examples of these include resting orders, limit orders, market on close/open and fill or kill orders.

Exchange Traded Derivatives are conducted on either an agency or on a matched principal basis which means the price which *the company* receives from the execution venue is the price that the client will receive, subject to prescribed commissions and fees.

In circumstances where orders are worked for a client either through electronic or voice execution services, then best execution will apply to such executions. Where a client provides a specific instruction, such as the time an order should be placed or specifying the use of an algo, then any such instructions shall be followed to the extent that *the company* has satisfied any best execution requirements

## 5.1 APPLICABLE RULES TO FIXED INCOME & CREDIT PRODUCTS

From €0 up to €500 per million, for all EGB sovereigns. In addition and pursuant to paragraph 5 the company *may alter its* fee structures were deemed appropriate as per the referred paragraph.

## 6. CONTROL SYSTEM

As part of its control plan, the Compliance department verifies compliance with this costs and charges policy.

The control plan includes monitoring and review. *The company* has implemented a governance framework and control process through which it may monitor the effectiveness of client handling policies, order execution arrangements, transactional outcomes, market effectiveness, market orderliness and all regulatory monitoring obligations.

Where appropriate, the monitoring and review process will seek to correct any deficiencies and preserve market integrity. Any execution failures, rule transgressions or suspicious transactions will be escalated in line with the rulebook together with the governing compliance framework and *the company's* escalation procedures.

One core outcome of this governance framework and controls process, is to assess in an ongoing manner, whether the execution venues referred to in this Policy provide the best possible outcomes for each client, together with whether *The company should* make changes to the relative importance ascribed across the execution factors and any other aspects of our execution arrangements in different trading scenarios.

*The company* holds internal procedures for monitoring and review which include the following:

- i. Retaining dedicated personnel for compiling and reviewing the executed orders and providing regular updates to relevant control frameworks;
- ii. regularly monitoring the quality of execution data published by execution venues in accordance with their regulatory requirements and reviewing whether optimal outcomes were achieved across relevant time periods
- iii. approval of the Policy and any subsequent updates by *the company's* Audit and Risk Committee
- iv. Ongoing review by *the company* of its execution venue Rulebooks, order execution arrangements and related policies no less than annually or subject to material change occurring.

### **Definitions**

For the purposes of this Policy, the following terms have the following definitions:

**Client Order:** A verbal or electronic (e.g. Bloomberg, FIX) agreement to execute a transaction on behalf of a client regardless of whether *the company* is acting in a matched principal or agency capacity in any MiFID financial instrument.

**Client Transaction:** An execution with a client where *the company* is acting in a name give-up, a matched principal or agency capacity on any MiFID financial instruments.

**EEA:** European Economic Area which includes all member states of the European Union plus Norway, Lichtenstein and Iceland.

**Execution Factors:** The execution factors laid out in this Policy.

*Execution Venue:* A Regulated Market, an MTF, an OTF, a recognised third country multilateral execution facility or exchange, a market maker or other liquidity provider.

*Regulator:* CNMV.

*Multilateral Trading Facility:* A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in “MiFID financial instruments” - in the system and in accordance with non-discretionary rules - in a way that results in a contract in accordance with Title II of MiFIDII.

*Organised Trading Facility [“OTF”]:* A multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of MiFIDII.

*Regulated Market:* A multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in “MiFID financial instruments” - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the “MiFID financial instruments” admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with Title III of MiFID II.

*Resting Order:* An instruction to buy or sell a “MiFID financial instrument” in a specified size where the client is committed to the execution.

*Matched Principal:* A transaction where *the company* interposes itself between the buyer and the seller to the transaction in such a way that it is never itself exposed to market risk throughout the execution of the transaction, with both sides executed simultaneously, and where the transaction is concluded at a price where the facilitator makes no profit or loss, other than a previously disclosed commission, fee or charge for the transaction.

*Client Specific Instructions:* Instructions provided to *the company* by a client when placing an order for execution. Examples of such instructions may contain, but are not limited to, the selection of a limit price, a period of time the order may remain valid or request to execute the order on a specific Execution Venue.

*Systematic Internaliser:* An investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a Regulated Market, an MTF or an OTF without operating a multilateral system.

*Trading Venue:* A Regulated Market, an MTF or an OTF authorised within the EEA.

## **Annexes**

### **Appendix; “MiFID financial instruments”**

- i. transferable securities;
- ii. money-market instruments;
- iii. units in collective investment undertakings;
- iv. options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- v. options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
- vi. options, futures, swaps, and any other derivative contract relating to commodities



- that can be physically settled provided that they are traded on a Regulated Market, an MTF or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
- vii. options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Appendix 2 and not being for commercial purposes, which have the characteristics of other derivative “MiFID financial instruments”;
  - viii. derivative instruments for the transfer of credit risk;
  - ix. financial contracts for differences;
  - x. options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a Regulated Market, OTF or an MTF; and
  - xi. emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

### ***Execution Venues on which the company places reliance***

The list below is made up of the third party execution venues to which *the company* has direct access. Whilst a broad variety of factors are considered to select whether any third party execution venue would afford the best outcome, it’s important to consider the likelihood of any order being executed; the manner under which the execution manages counterparty credit risk, or where the execution venue is itself the counterparty, then its own creditworthiness; together with circuit-breakers and other protections offered by the execution venue.

*The company* always seeks the best possible results for clients, and does not receive any remuneration, discount or non-monetary benefit from routing client orders to a particular Execution Venue. In seeking to be in accordance with Article 27(5) of MiFID II, the company remains diligent that any such would infringe regulatory requirements and could result in unfairly discriminating between execution venues. Furthermore, the company’s own commissions, spreads or fees charged to clients have no bearing on the manner by which execution venues are chosen.

### ***Execution Venues: Cash Equities***

MIC	Venue Name	Type
• ALXP	Euronext Paris	Lit
• AQXE	Aquis	Lit
• ARCX	NYSE Arca	Lit
• ASXC	Asx - Center Point	Lit
• BAML	BoA/ML ATS	Dark
• BARX	Barclays ATS	Dark
• BATD	BATS Dark	Dark
• BATE	BATS Europe	Lit
• BATS	BATS Exchange	Lit
• BATY	BATS Y-Exchange, Inc.	Dark
• BIDS	BIDS Trading	Dark
• BURG	Burgundy Nordic MTF	Lit
• CAES	CS Crossfinder	Dark
• CDED	Citadel Dark	Dark
• CDEL	Citadel Securities ATS	Dark

• CHIA	Chi-X Australia		Lit
• CHIC	Chi-X Canada ATS	Dark	
• CHID	Chi-Delta	Dark	
• CHIJ	Chi-X Asia	Lit	
• CHIX	Chi-X Europe		Lit
• CICX	Citi Cross (Lava)	Dark	
• DBSX	Deutsche Bank ATS	Dark	
• EDGA	EDGA Exchange	Lit	
• EDGX	EDGX Exchange	Lit	
• ETFP	Electronic OpenEnd Funds And Etc. Market		Lit
• FNSE	First North Stockholm		Lit
• GESE	Getco	Dark	
• GTCO	Getco	Dark	
• ICBX	Instinet CBX	Dark	
• IEXG	IEX	Lit	
• ITGI	ITG - Posit	Dark	
• JPMX	JPMX	Dark	
• KMEU	KnightMatch Europe	Dark	
• KNCM	Knight Capital Markets		Dark
• KNEM	Knight Equity Markets LP	Dark	
• LEVL	Level ATS	Dark	
• LIQU	Liquidnet Systems	Dark	
• MAQX	Macquarie Internal Markets		Dark
• MATN	Match Now	Dark	
• MTAA	Milan Stock Exchange		Lit
• NEOE	Aequitas Neo Exchange		Dark
• NYFX	NYFIX Millennium ATS		Dark
• OMGA	Omega ATS	Lit	
• PDQX	PDQ ATS	Dark	
• PURE	Pure Trading	Lit	
• SBIJ	Sbi Japannext-J-Market		Lit
• SGMA	Sigma X	Dark	
• SGMX	Sigma X	Dark	
• TMXS	TMX Select	Lit	
• TRQM	Turquoise Dark		Dark
• TRQX	Turquoise	Lit	
• UBSA	UBS ATS	Dark	
• VTEX	VortEx		Dark
• WBAH	Wiener Boerse Ag Amtlicher Handel (Official Market)		Lit
• XAIM	Aim Italia - Mercato Alternativo Del Capitale		Lit
• XAMS	Euronext Amsterdam		Lit
• XASE	NYSE Mkt Llc	Lit	
• XASX	Australian Stock Exchange.	Lit	
• XATH	Athens Exchange S.A. Cash Market	Lit	
• XATS	Alpha Exchange	Lit	
• XBOS	NASDAQ OMX BX	Lit	
• XBRU	Euronext Brussels	Lit	
• XBUD	Budapest Stock Exchange	Lit	
• XCIS	National Stock Exchange	Lit	
• XCSE	Omx Nordic Exchange Copenhagen A/S		Lit
• XCX2	ChiX CX2	Dark	
• XDUB	Irish Stock Exchange		Lit
• XETD	Xetra International Market Open Market		Lit
• XETR	Xetra	Lit	
• XHEL	Nasdaq OMX Helsinki		Lit
• XHKG	Hong Kong Exchange		Lit

• XICX	Instinet Canada Cross		Dark
• XJSE	Johannesburg Stock Exchange		Lit
• XLIS	Euronext Lisbon	Lit	
• XLON	London Stock Exchange		Lit
• XLUX	Luxembourg Stock Exchange		Lit
• XMAD	Bolsa De Madrid	Lit	
• XMCE	Madrid Stock Exchange		Lit
• XMLI	Euronext Paris		Lit
• XNAS	Nasdaq	Lit	
• XNMS	NASDAQ NMS		Lit
• XNYS	New York Stock Exchange	Lit	
• XNZE	New Zealand Exchange Ltd	Lit	
• XOSL	Oslo Bors Asa		Lit
• XOTC	OTC Bulletin Board	OTC	
• XPAR	Euronext Paris		Lit
• XPHL	Nasdaq Omx Phlx	Lit	
• XPRA	Prague Stock Exchange	Lit	
• XQMH	Scoach Switzerland	Lit	
• XSES	Singapore Exchange	Lit	
• XSGA	SG Alpha-Y	Dark	
• XSMP	Smartpool	Dark	
• XSTO	Nasdaq OMX Stockholm	Lit	
• XSWX	Swiss Exchange	Lit	
• XTAE	Tel Aviv Stock Exchange	Lit	
• XTKS	Tokyo Stock Exchange		Lit
• XTSE	Toronto Stock Exchange	Lit	
• XTSX	Tsx Venture Exchange		Lit
• XUBS	UBS MTF	Dark	
• XVTX	Six Swiss Exchange Ag Warsaw Stock		Lit
• XWAR	Exchange/Equities/Main	Lit	

*Execution Venues: Exchange Traded Derivatives*

- CBOT - CME Group
- CME - CME Group
- COMEX - CME Group
- NYMEX - CME Group
- CBOE
- CFE - CBOE Futures Exchange
- Eurex
- ICE Futures Canada
- ICE Futures Europe
- ICE Futures US
- IDEM - Borsa Italiana
- London Metal Exchange
- MEFF
- NASDAQ OMX Stockholm AB
- NYSE Euronext Amsterdam
- NYSE Euronext Brussels
- NYSE Euronext Lisbon
- NYSE Euronext Paris
- OSE
- SGX - Singapore Stock Exchange Securities Trading Limited
- SFE - Sydney Futures Exchange
- TMX - Toronto
- TSE

*Execution Venues: Cash Bonds*

- E-Speed
- MTF Tradition
- OTF Tradition

Execution Venues: OTC Derivatives

- MTF Tradition
- OTF Tradition