

# Order Execution Policy in the Field of Rendering Investment Services



## Approved

Signet Bank AS

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## I Terms Used

1. **ALCO** – Assets and Liabilities Committee of the Bank.
2. **Approved Counterparty** – counterparty which has gone through the Bank’s due diligence and is approved for trading. The Bank considers as Approved Counterparties those counterparties that have access to Execution Venues or with whom the Bank performs OTC trading.
3. **Bank** – Signet Bank AS.
4. **Classification of Clients** – protection requirements are calibrated in MiFID II to three different categories of clients: notably private clients, professionals, and eligible counterparties. The high level principle to act honestly, fairly and professionally and the obligation to be fair, clear and not misleading apply irrespective of client categorization.
5. **Execution Venue** – the term that is broader than the term ‘Trading Venue’ as, for the purpose of the Policy, it includes SIs and market makers and other liquidity providers; and non-EEA entities performing a similar function.
6. **Financial Instrument** – an asset or evidence of the ownership of an asset, or a contractual agreement between two parties to receive or deliver another financial instrument. Instruments considered as financial are listed in MiFID II (Annex I).
7. **MiFID II** – Directive 2014/65/EU of 15 May 2014 on Markets in Financial Instruments and Related Regulations (‘MiFID II’).
8. **Multilateral Trading Facility (MTF)** – a system, or ‘venue’, which brings together multiple



third-party buying and selling, interests in Financial Instruments in a way that results in a contract. MTFs can be operated by investment firms or market operators and are subject to broadly the same overarching regulatory requirements as Regulated Markets (e.g. fair and orderly trading) and the same detailed transparency requirements as Regulated Markets.

9. **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.
10. **Over the Counter (OTC) Trading** – a method of trading that does not take place on an organised venue such as a Regulated Market, an MTF or an OTF.
11. **Policy** – the regulatory document of the Bank 'Order Execution Policy in the Field of Rendering Investment Services'.
12. **Regulated Market** – a multilateral system, defined by MiFID II (Article 4), which brings together or facilitates the bringing together of multiple third-party buying and selling interests in Financial Instruments in a way that results in a contract. Examples: the traditional stock exchanges such as the Frankfurt and London Stock Exchanges.
13. **Systematic Internaliser (SI)** – investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client orders outside a Regulated Market or an MTF.
14. **Terms** – the Terms of Maintenance of the Financial Instruments Account and Entering into Transactions with Financial Instruments, developed and approved by the Bank.
15. **Trading Venue** – an official venue where securities are exchanged; it includes OTFs, MTFs and Regulated Markets.

## II General Provisions

16. The Policy sets out principles the Bank follows when executing or receiving and transmitting order for execution for its retail and professional clients in Financial Instruments.
17. The Bank has adopted the Policy in order to secure the best possible execution of client orders in Financial Instruments in accordance with MiFID II.
18. The Bank is required to act honestly, fairly and professionally in accordance with the best interest of its clients as well as to take all sufficient steps to obtain the best possible result for its clients when carrying out orders in Financial Instruments of the client.
19. This Policy defines the principles and methods applied by the Bank to obtain the best possible result when carrying out orders for its clients.
20. The Policy takes effect from the moment of approval and the internal regulatory document of the Bank 'Order Execution Policy in the Field of Rendering Investment Services' approved on 31.07.2020. loses force upon approval hereof.

## III Scope

### **A. Clients Covered**

21. The Policy applies to both private and professional clients (within the meaning of MiFID II). Clients dealing with the Bank should have received a formal notification from it informing them of their client categorization.
22. The Policy does not apply to eligible counterparties. The Bank does not owe the best execution in transactions entered into with eligible counterparties, unless agreed otherwise.

### **B. Covered Financial Instruments and Transactions**

23. The Policy applies when the Bank receives, transmits or executes client orders in Financial Instruments, which are broadly defined as:
  - 23.1. equities: shares, exchange traded funds, depositary receipts, warrants;
  - 23.2. debt instruments: bonds (such as corporate bonds, convertible bonds, mortgage bonds,



sovereign bonds), money-market instruments such as treasury bills, certificates of deposit, commercial paper, etc.;

- 23.3. derivatives: options, futures, swaps on currency, interest rates, equity, commodities and indices as well as foreign exchange derivatives;
  - 23.4. structured products;
  - 23.5. units in collective undertakings (units/ shares in funds).
24. The Policy also applies to complex transactions which are broadly defined as:
- 24.1. short positions (only for derivative Financial Instruments);
  - 24.2. transactions using borrowed funds (incl. REPO, reverse REPO).
25. 'Spot' transactions in FX and commodities as well as loan agreements and deposits are not regarded as Financial Instruments and are not subject to any obligation of the Policy.

### **C. Services**

26. The Policy applies to services where the Bank receives and transmits an order on the client's behalf or where the Bank executes orders on the client's behalf.
27. All orders from the client for the purchase and sale of Financial Instruments are carried out by the Bank:
- 27.1. as an agent, on behalf of the client or,
  - 27.2. as the other party to the transaction.

### **D. Receiving and Transmitting Orders**

28. Client orders relating to the purchase and sale of transferable securities (e.g. equities, exchange-traded units in collective investment funds, futures, third party structured products) are transmitted to an Approved Counterparty, for execution.
29. When transmitting orders, the Bank uses Approved Counterparties possessing specific and adequate arrangements to satisfy the requirements of best execution. The Bank's main responsibility is the proper selection and supervision of the Approved Counterparties. Approved Counterparties are selected to obtain the best possible result for the client on a consistent basis.

### **E. Execution of Orders**

30. Depending on the Financial Instrument, the Bank executes the following types of client orders in the following way:
- 30.1. transactions with Non-Fixed Income Financial Instruments traded on the Trading Venue and derivative Financial Instruments traded on the Regulated Market are transmitted to execution / executed by the Bank using the Approved Counterparties that have access to the Regulated Market, where transactions with the above Financial Instruments take place, or directly on the Regulated Market, if the Bank has an access;
  - 30.2. orders relating to the purchase and sale of debt securities and derivatives negotiated OTC, except OTC FX derivatives, are transmitted to execution/ executed by the Bank directly with an Approved Counterparty;
  - 30.3. OTC FX derivatives are traded against the Bank's own account, agreeing on a price;
  - 30.4. transactions using borrowed funds (incl. REPO, reverse REPO) are traded against the Bank's own account, agreeing on a price;
  - 30.5. the Bank submits transactions in units in collective investment fund shares that are not traded on the Regulated Market either directly or via Counterparties, to the relevant investment management company that manages the specific investment fund in accordance with the rules of such investment company's investment fund. Information on pricing, redemption of fund shares etc. may be received from the specific fund's management company;
  - 30.6. orders for structured products issued by the Bank, are executed directly with the Bank.



#### **F. Execution Venues and Approved Counterparties**

31. The Policy requires the Bank to determine the appropriate Execution Venues where the client's orders can be executed by the Bank, or the appropriate third party participants ('Approved Counterparties') to which the client's orders can be transmitted by the Bank for execution. The list of Approved Counterparties is published on the Bank's website (www.signetbank.com).
32. The Bank may add or remove any counterparties from this list, as described in Section VII of the Policy.
33. The client expressly accepts that orders may be executed/ transmitted for execution outside Regulated Markets or MTF and OTF. The Client is clearly aware of the risks arising from the fact that orders are executed/ transmitted for execution outside the Regulated Market..
34. In special circumstances (e.g. trading on a provisional basis, or to accommodate a client request to trade in an unusual instrument), the Bank may use venues or counterparties which do not appear on the list of Execution Venues and Approved Counterparties, following the procedures specified in the Bank's internal documents.

### **IV Client Order Handling**

#### **A. Order Reception**

35. The orders are receipt through means of communication as agreed with client in the Terms.

#### **B. Recording of Information**

36. When the Bank accepts the order, it is recorded promptly in the Bank's order system, and contains the following information:
  - 36.1. Client name and account;
  - 36.2. Buy or Sell;
  - 36.3. Name of the Financial Instrument and/ or security ID;
  - 36.4. Currency;
  - 36.5. Quantity;
  - 36.6. Time of order;
  - 36.7. Price limit (if any);
  - 36.8. Special execution instructions (if any) such as period of validity.

#### **C. Sequential Execution/ Order Aggregation**

37. Individual orders are executed or transmitted sequentially (first-in, first-out principle) in accordance with their time of receipt. Exceptions may apply if the characteristics of the order or prevailing market conditions make this impracticable, or do not ensure the protection of the client's interests.
38. The Bank may aggregate orders and execute them in one or more tranches if, due to demand, the Bank believes that these orders will then be executed at an average price that the Bank considers generally favourable. Consequently, aggregation may be to the disadvantage of an individual order.
39. The Bank executes an order at the weighted average price when it combines client orders or transmits/ executes orders within more than one transaction, but using the weighted average price..
40. If aggregated orders can be transmitted for execution/ executed only in part, the Bank allocates the executed part to the participating clients proportionately according to the size of the orders.
41. The Bank may deviate from the procedure referred to in Clause 40 of the Policy if the client's order to participate in the initial placement of Financial Instruments has been received. In this case, the order execution procedure is specified in the Financial Instruments Issuance Regulations.
42. If client orders have been aggregated with transactions in our own name, the Bank participates in the allocation only if all participating clients are satisfied in full. If a client order could not have been executed on the same favourable terms without aggregation, the Bank may distribute the



transaction proportionately. This paragraph does not apply to initial placements of Financial Instruments.

43. For client orders received outside the normal exchange business hours of the market, the Bank transmits for execution the order when exchange trading resumes. Client orders received outside the Bank's business hours are transmitted for execution applying a first-in, first-out principle, promptly as soon the Bank opens.

#### **D. Difficulties in Order Handling**

44. If the Bank experiences material difficulty relevant to the proper execution or transmission for execution of orders, it informs the client promptly upon becoming aware of the difficulty.
45. Sometimes, due to exceptional circumstances (such as a disruption of the execution system or exceptional market conditions), the Bank may be forced to employ other methods of execution other than the principles described in the Policy. Under such exceptional circumstances, the Bank will nevertheless endeavour to transmit/ execute the orders in the most advantageous way, in the best interests of the clients.
46. Orders of a significant size, compared to, for example, the volume of issuance of a particular Financial Instrument or the volume traded in relation to a particular Financial Instrument, are outside the scope of the Policy. If the order size has the potential to have a significant market impact, the Bank may consider such an order as being outside the scope of the Policy.

### **V The Best Execution Framework**

#### **A. General Provisions**

47. The Bank has put in place policies and procedures which are designed to obtain the best possible result for its clients on a consistent basis in transactions to which best execution applies, taking into account certain factors, criteria and available execution venues.

#### **B. Considered Execution Factors and Criteria**

48. In order to achieve the best possible result for the client, the Bank takes into account various Performance Factors to determine the best result for the client. Although some of the below factors are considered to be more important than others, there are situations where the relative importance of these factors may change.
49. The execution factors that the Bank considers are:
- 49.1. price: the price a Financial Instrument order is executed at;
  - 49.2. costs: includes implicit costs such as the possible market impact, explicit external costs, e.g. exchange or clearing fees and explicit internal costs which represents the Bank's own remuneration through commission;
  - 49.3. speed: the time it takes to execute a client order;
  - 49.4. likelihood of execution and settlement: the likelihood that the Bank will be able to complete a client order;
  - 49.5. size and nature: the order size and how the particular characteristics of a client order can affect how best execution is achieved;
  - 49.6. any other circumstance which, in the Bank's opinion, is relevant to the execution/ transmission of a particular order.
50. Whilst the Bank sets out the order of relative importance of the execution factors for each asset class, a variety of criteria are taken into account in assessing this, and appropriate consideration are made based on a transaction by transaction basis.
51. In order to determine the relative importance of each execution factor, the Bank takes into account the following criteria:
- 51.1. the client's situation and the objective of the order;
  - 51.2. current market conditions;



- 51.3. the specific Financial Instrument that the order concerns;
- 51.4. relevant Execution Venues.
- 52. Where a Financial Instrument is traded on multiple Execution Venues and/ or may be executed via multiple Approved Counterparties, the Bank is considering, having the trade executed on the market, where liquidity is the highest, considering that this is the most appropriate option for the client regarding the most advantageous execution in terms of price, execution speed and probability of settlement.
- 53. It is not always possible to execute the client's order at the best price, but the Bank always strives to execute the client's order in accordance with the Policy.

#### **C. Total Consideration**

- 54. When transmitting or executing a client order, price and cost are generally considered as being the most important execution factor in obtaining the best possible result. This is called the 'Total Consideration'. It represents the price of the Financial Instrument and the costs related to the execution, which include all expenses, which are directly related to the execution of the order and are incurred by the client. It includes Execution Venues fees, clearing and settlement fees, the Bank's own commissions and any other fees paid to third parties involved in the execution of the order.
- 55. When transmitting or executing orders, the Bank may determine that in some instances, taking into account the execution criteria, other execution factors may have a higher relative importance than price and cost (for example, in case of low liquidity).
- 56. A detailed view on the relative importance of execution factors per asset class can be found below.
- 57. In principal, associated costs are communicated to the client by the Bank before transmitting or executing the order. The client is informed in good time prior placing an order about the maximal applicable fees charged by counterparties or third parties. In case aggregated orders have been placed, a pro-rata split of costs and benefits is conducted based on the order notional.

#### **D. Relative Importance of Execution Factors per Asset Class**

- 58. The Bank prioritizes execution factors per asset class as follows:
  - 58.1. **Equities:**
    - 58.1.1. Total Consideration (Price & Cost);
    - 58.1.2. Likelihood of Execution;
    - 58.1.3. Size;
    - 58.1.4. Speed;
    - 58.1.5. Other Consideration;
  - 58.2. **Debt Instruments:**
    - 58.2.1. Total Consideration (Price & Cost);
    - 58.2.2. Likelihood of Execution;
    - 58.2.3. Size;
    - 58.2.4. Speed;
    - 58.2.5. Other Considerations.
- 59. When transmitting or executing orders, the Bank may determine that, in some instances, other execution factors may have a higher relative importance, taking into account the execution criteria. Consequently, in cases where the price may not have been the best available, this does not necessarily constitute a violation of the Bank's obligation to attain the best execution of client orders:
  - 59.1. **Derivatives (ETD):**
    - 59.1.1. Total Consideration (Price & Cost);
    - 59.1.2. Likelihood of Execution;



- 59.1.3. Size;
- 59.1.4. Speed;
- 59.1.5. Other Consideration.
- 59.2. **Derivatives (OTC):**
  - 59.2.1. Total Consideration (Price & Cost);
  - 59.2.2. Likelihood of Execution;
  - 59.2.3. Size;
  - 59.2.4. Speed;
  - 59.2.5. Other Consideration.
- 59.3. **Structured Products:**
  - 59.3.1. Total Consideration (Price & Cost);
  - 59.3.2. Likelihood of Execution;
  - 59.3.3. Size;
  - 59.3.4. Speed;
  - 59.3.5. Other Consideration.
- 60. Units in collective undertakings are transmitted to the fund administrator, chosen by the fund or the management company of the fund as venue for execution. The Bank has no influence over this decision. For the purposes of managing the risks related to the counterparty, the Bank may reject a fund administrator. In this case, the Bank reserves the right not to accept the order.
- 61. The execution price of the transaction is the last calculated the investment fund's net asset value (NAV) calculated by the fund administrator who is the determinant of the NAV of the investment fund, based on the frequency stipulated in the investment fund prospectus, provided that the order has been sent within the cut-off time specified in the investment fund prospectus.

#### **VI Specific Instructions – Warning to The Client**

- 62. If the client provides the Bank with instructions regarding an order or any conditions of the order, the Bank is executing the order in accordance with such instructions to the extent reasonably possible.
- 63. Any kind of specific instructions of the client may prevent the Bank from obtaining the best possible result for the execution of the client's order in accordance with the Policy. When executing specific instructions from a client, the Bank will have satisfied its best execution obligation if it complies with these specific instructions.
- 64. Examples of such instructions may include, but are not limited to, requests to execute on a particular venue, at specific target price or to execute an order over a particular timeframe.
- 65. If the client's instructions do not include all the terms of the transaction, the Bank applies the principles set out in the Policy to its remaining conditions.
- 66. If the client provides a certain limit to an order, in respect of Financial Instruments admitted to trading on a Regulated Market, and if this order is not immediately executed under the then prevailing market conditions, the Bank, in order to facilitate the earliest possible execution, transmits the order to the market so that it is easily accessible to other market participants, unless the client expressly instructs otherwise.
- 67. The Bank may refuse specific client instructions to carry out an order on a specific Execution Venue or with a specific counterparty.

#### **VII Initiation and Monitoring of Cooperation with Approved Counterparties**

##### **A. Initiation of Cooperation with the Approved Counterparties**

- 68. When executing and transmitting client orders, the Bank uses Approved Counterparties possessing specific and adequate arrangements to satisfy the requirements of the best execution.





For this purpose, the Bank has established ALCO, which monitors the selection procedure, the Bank's execution framework and its operational arrangements.

69. The Bank selects its Approved Counterparties, based on a selection procedure, which encompasses qualitative factors, such as:
- 69.1. access to Execution Venues allowing for best execution on a regular basis;
  - 69.2. connectivity;
  - 69.3. regional market coverage;
  - 69.4. sales trading information;
  - 69.5. access to facilitation and to market makers' prices;
  - 69.6. access to clearing houses and connectivity for settlement;
  - 69.7. quality of middle and back office support.

**B. Monitoring of Approved Counterparties**

70. The Bank monitors its arrangements with the approved counterparties through ALCO. In addition, the Bank performs due diligence on its Approved Counterparties on a regular basis.

## **VIII Review and Monitoring**

**A. General Provisions**

71. The Policy and execution arrangements with Approved Counterparties are reviewed by the Bank at least annually or if material changes occur. Material changes are defined as changes influencing the Bank's ability to continue to obtain the best possible result for its clients on a consistent basis using the venues and Approved Counterparties published in the Bank's website.

**B. Review and Amendments**

72. The Bank reviews its execution framework in its daily business as well as through regular assessments of its Approved Counterparties. The Bank monitors and verifies that the best possible results are consistently obtained for its clients. As further described, the Bank assesses whether it could obtain better execution results if it were to:
- 72.1. include additional Approved Counterparties or exclude existing ones, or
  - 72.2. assign different relative importance to the execution factors;
  - 72.3. modify any other aspects of the Policy or arrangements.
73. If it is necessary, the Bank changes and publishes the updated version of the Policy and/ or the list of Approved Counterparties; the amendments to the Policy are published on the Bank's website ([www.signetbank.com](http://www.signetbank.com)).
74. The Bank deems that a client has given explicit consent to the Policy and its further amendments, if a client submits an order to the Bank after such amendments come into effect.
75. A client is entitled not to consent to amendments of the Policy notifying the Bank in writing.
76. In case the client wishes to object to such amendments or updates to the Policy, the Bank may be forced to refuse to accept or to transmitt individual client orders to the counterparties for execution.

**C. Execution Monitoring**

77. The Bank assesses on an ongoing basis transactions in order to determine whether it has complied with the Policy and whether the resulting transactions have delivered the best possible results for the client.
78. The Bank evaluates a random sample of transactions executed per asset class for this purpose. Besides quantitative evaluation criteria (such as price, speed, and likelihood of execution), the Bank also takes into account qualitative criteria (such as efficiency of the settlement process) for this assessment.
79. Where such monitoring reveals that the Bank has fallen short in obtaining the best possible result,



the Bank investigates and makes appropriate amendments, if needed.

80. The Bank annually publishes information on the quality of execution obtained on its top five Execution Venues/ counterparties based on volume by asset class on its website.

### **IX Client Requests for Further Information**

81. The client is entitled to make reasonable and proportionate requests for information about the Policy, arrangements and Approved Counterparties and how they are reviewed by the Bank. The Bank undertakes to answer as clearly as possible and within a reasonable time (specified in external legal acts and internal documents of the Bank).

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