

# Best Execution Policy



# Contents

<b>1. Purpose</b>	<b>4</b>
<b>2. Scope</b>	<b>4</b>
<b>3. Execution Factors</b>	<b>4</b>
<b>4. Execution Criteria</b>	<b>5</b>
<b>5. Execution Venues</b>	<b>5</b>
<b>6. Order Management and Handling</b>	<b>6</b>
<b>7. Monitoring and Review</b>	<b>6</b>
<b>8. Appendices</b>	<b>6</b>
<b>8.1 Fixed Income Desk</b>	<b>6</b>
<b>8.2 Equity Desk</b>	<b>7</b>
<b>8.3 Forex and Metals Desk</b>	<b>7</b>
<b>8.4 Structured Products Desk</b>	<b>8</b>

## 1. Purpose

This Best Execution Policy (“**Policy**”) describes a set of steps that will be taken by EFG Bank Ltd, (the “**Bank**”), to obtain, when executing orders, the best possible result for its clients (“**Clients**”).

The Bank has established and implemented arrangements, including this Policy, which are designed to allow the Bank to meet the regulatory requirement to obtain the best possible result for its Clients’ orders. The process of obtaining such best possible result shall be referred to as “**Best Execution**”.

As set out in the Bank’s General Conditions of business, as the same shall be amended and supplemented from time to time (“General Conditions”) the Bank may, at its discretion, decline to accept instructions and orders from a Client at any time.

The Bank’s commitment to provide Best Execution does not mean that the Bank owes a Client any fiduciary responsibilities over and above the specific regulatory obligations placed upon the Bank or as may be otherwise contracted between a Client and the Bank.

This Policy is supplemented by appendices which provide further details to our execution considerations as they relate to differing asset classes. The appendices cover the following products and should be read in conjunction with this Policy:

- o Equities- shares & depositary receipts;
- o Debt instruments;
- o Currency, equity, commodities and securitized derivatives;
- o Foreign Exchange;
- o Structured Products; and
- o Exchange traded products.

## 2. Scope

This Policy applies to all Client orders accepted by the Bank for buying or selling financial instruments. This Policy also applies when the Bank purchases or sells financial instruments in fulfilment of its obligations arising from a portfolio management mandate with its Clients.

The Bank may accept specific instructions from a Client as to how an order is to be executed (whether through its Direct Access Client (“**DAC**”) service or otherwise).

Depending on their nature, these specific instructions may be inconsistent with the Bank’s Best Execution policy. In that case the Bank will execute the order in a manner that is consistent with the Client’s instructions and this policy will not apply. Hence giving the Bank specific instructions as to the execution of an order may adversely affect the execution outcome achieved for the Client.

In the event of extreme volatile markets or force majeure events including but not limited to system outages, restriction due to government actions or market disruption which remains outside the Bank’s control, the Bank may temporarily suspend execution. It is therefore possible that in such adverse market conditions different Clients submitting orders with similar profiles may achieve different outcomes; including whether and when orders or trades will be executed.

## 3. Execution Factors

Where the Bank executes an order for the Client, in the absence of specific instructions from the Client as to how the order is to be executed, the Bank will take all sufficient steps to obtain the best possible results for the Client. The best possible results means the best overall price being the purchase price at which an order is executed (for a buy order) plus transaction costs passed on to the Client, or the sale price at which an order is executed (for a sell order) minus transaction costs passed on to the Client, across the execution venues on which the Bank may execute orders.

In addition to the best overall price, the Bank will take into account the following factors and give them precedence over the immediate price factors where they are instrumental in delivering the best possible results for the Client in terms of total cost to the Client:

- o Liquidity of the financial instrument
- o Costs
- o Speed of execution or settlement
- o Likelihood of execution or settlement
- o Size of the Client's order
- o Nature of the Client's order
- o The execution venues available and their trading status and
- o Any other consideration relevant to the efficient execution of the Client's order, including liquidity and market impact.

The Bank will determine the relative importance of each factor and therefore there may be trade-offs where certain execution factors are considered as having higher importance over others in obtaining the best possible result for the Client.

## 4. Execution Criteria

The following execution criteria will be considered when weighing the relative of the execution factors mentioned above (see section 3):

- o the characteristics of the order
- o the characteristics of the financial instruments that are the subject of that order
- o the characteristics of the execution venues to which that order can be directed.

In providing Best Execution, the Bank will follow the same standards and apply the same processes to all markets and financial instruments. However, the relative importance of any one or several of the factors mentioned above may vary as a result of market conditions, types of financial instruments and order considerations. For example, whereas price volatility may make timely execution to be a priority in some markets, in other markets with low liquidity, the likelihood of execution may alone constitute Best Execution. The nature of the Client's order and any specific instruction linked to that order may also limit the choice in the selection of the execution venue.

## 5. Execution Venues

To achieve the best possible result for the Client the Bank may execute orders on one or more of the following venues:

- o Regulated markets<sup>1</sup>
- o Other exchanges that are not regulated markets
- o Multilateral Trading Facilities<sup>2</sup> ("**MTFs**")
- o Systematic Internalizers ("**SIs**")
- o Market makers;
- o Other liquidity providers

On an on-going basis the bank will review the execution venues used to determine whether they continue to provide the best possible result for the Client as well as assess the possibility of using new venues. This will be achieved using the information derived from the Bank's own Best Execution monitoring tools as well as where applicable execution quality data reported by execution venues.

---

<sup>1</sup> A regulated market means 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 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 financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly, for example, the Swiss Stock Exchange.

<sup>2</sup> MTF means a system that brings together multiple parties that are interested in buying and selling financial instruments and enables them to do so. These systems can be crossing networks or matching engines that are operated by an investment firm or a market operator. Instruments may include shares, bonds and derivatives. This is done within the MTF operator's system.

## 6. Order Management and Handling

### a) General Principle

Where the Bank handles Client orders either on a Client's behalf or as part of its portfolio management activities, it must ensure that orders are:

- o executed promptly in accordance with the Client's instruction
- o accurately recorded and allocated
- o executed sequentially unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the Client require otherwise

This may involve aggregating the orders of different Clients. The executed orders are allocated to Clients fairly and proportionately.

### b) Limit Orders

Where the Client provides the Bank with a limit order and the Bank determines that a relevant exchange is the best execution venue for the Client's order, the Bank will send the order in full to that execution venue. To determine which execution venue is best the Bank will consider the Execution Factors mentioned above, in particular the characteristics of the Client's order, best available price, available liquidity and certainty of execution at time the order is received.

The execution of a Client's order after transmission to a relevant exchange will be subject to price-time priority.

## 7. Monitoring and Review

The Bank's execution arrangements and this Policy may be amended from time to time. This Policy will be reviewed at least annually and will include an assessment of the execution venues used, or whenever a material change occurs that affects the Bank's ability to obtain the best result for the execution of Client orders.

## 8. Appendices

### 8.1 Fixed Income

#### a) Scope

Best Execution considerations for Fixed Income Instruments apply to the following products:

- o Bonds
- o Other debt securities

#### b) Approach to obtaining Best Execution

The Bank uses a number of primary venues which are deemed as providing best execution price available in normal market conditions, and where it is possible to interact with prices from a range of brokers or affiliates. Request for quote ("RFQ") for a firm price, where possible, are generally sent to a minimum of three counterparties. In markets with low liquidity, the likelihood of execution of the order may alone constitute Best Execution, and as such there may be occasions where the Bank will execute the order when only a single counterparty has responded. In limited circumstances, such as a small new issue offered by a single lead manager an order may be routed to a single broker, or smaller field of brokers, on an over-the-counter (OTC) basis.

#### c) Prioritization of Execution Factors

When executing transactions where Best Execution applies, the Bank will consider the following factors: price, costs, speed, likelihood of execution and settlement risk. The Bank will use its experience and expertise to achieve the best possible balance across the full range of factors.

## 8.2 Equity

### a) Scope

Best Execution for Equity Instruments apply to the following products:

- o Shares
- o Depositary receipts
- o Rights
- o Warrants
- o OTC Options
- o Exchange traded funds (“ETFs”)
- o Exchange traded derivatives (“ETDs”)

### b) Approach to obtaining Best Execution

Taking into account any particular criteria or instructions provided, Equity orders are routed to one or more brokers (except for orders executable on regulated markets where EFG is direct member) or affiliates immediately for execution or for working the Client order over some period of time.

Broker(s) are subject to review and monitoring as part of the Bank’s on-going assessment of the execution venues for Best Execution.

### c) Prioritisation of Execution Factors

When executing Equities transactions and where Best Execution applies, the Bank will consider the following execution factors: price; likelihood of execution; size; costs; speed and other considerations.

The primary execution factor for the purpose of fulfilling the Best Execution obligation will usually be the price. However, the Bank will consider all key execution factors (including, without limitation, order typology, liquidity profile of the instrument, size of the order, general market environment and conditions) assessing their relative weighting in light of a wide range of elements that could influence the outcome of the execution. The Bank will use its experience and expertise to achieve the best possible balance across the full range of factors.

## 8.3 Forex and Metals

### a) Scope

Best Execution considerations for Foreign Exchange (“FX”) Instruments, covering all tradable currencies, non-deliverable currencies (under the form of non-deliverable forward “NDF”) and precious metals (“PM”), apply to the following products:

- o Forwards
- o Swaps
- o Options
- o Structured Products

FX and PM Spot are out of scope for Best Execution, however, the Bank strives to offer competitive pricing and best possible execution when handling the Client’s FX and PM Spot transactions as principal transactions.

### b) Approach to obtaining Best Execution

The Bank uses a number of different execution venues including electronic venues, all major Banks, affiliates or any other execution venue as the Bank sees fit.

The Bank acts as the counterparty to all FX orders received from Clients. The price provided to Clients will be referenced to the median of the pricing range quoted by the market, and checked daily ex-post against a leading provider of historical quotes obtained from millions of individual transaction across the globe.

In the event of extremely volatile markets, and/or in the absence of available quotes in the usual platforms for price reference, the Bank will take steps to obtain the market pricing level by other means, such as asking directly major counterparties

### c) Prioritisation of Execution Factors

When executing transactions, in absence of specific instructions, the Bank will consider the following execution factors : price, all costs associated with the execution of the order, speed, likelihood of full execution, settlement risk, size, type of order or any other consideration relevant to the execution of a transaction such as the concentration/credit limit issues with the counterparty, as determined by the Bank. The Bank will use its experience and expertise to achieve the best possible balance across the full range of factors, given that in normal condition and for standard products price is the most considered factor.

## **8.4 Structured Products**

### **a) Scope**

Best Execution considerations for Structured Products apply to the following products:

- o Flow and Non-Flow Structured Products

### **b) Approach to obtaining Best Execution**

For Structured Products the Bank uses execution venues; third party investment firms, brokers, and/or affiliates acting as market makers or other liquidity providers; and other internal sources of liquidity. When using an intermediary, the Bank's main responsibility is the proper selection and monitoring of the intermediary. Where the Bank executes an order itself the Bank's main responsibility is to select the appropriate counterparty. In limited circumstances, such as a first launch or a subsequent launch offered by a single broker, the order would be routed to that single broker for execution and concept of best execution can not apply in this case, as well as in case client is requesting a specific issuer of the product.

For standard Structured Products, Request for quote ("RFQ") is generally sent to approved counterparties. In the event where timely execution is required, the best quote is compared with a minimum of three counterparties in standard market conditions. For non-standard products, RFQ for a firm price, where possible, is sent to a minimum of three counterparties. In markets with low liquidity, the likelihood of execution of the order may alone constitute Best Execution, and as such there may be occasions where the Bank will execute the order when only a single counterparty has responded. In the event that the order size does not meet the minimum size to trade on the best quote, the Bank can select the best quote where the size of the trade is acceptable to the counterparty.

### **c) Prioritisation of Execution Factors**

When executing transactions where Best Execution applies, the Bank will prioritize the following execution factors: execution venue, price, all costs associated with the execution of the order, likelihood of full execution, settlement, scope, type of the order and any other condition of the market relevant to the execution of a transaction.

Generally, the most important execution factor is the price and the execution venue used for the relevant financial instrument. However, there may be circumstances where the primary execution factors may vary and where price or execution venue are no longer the dominant execution factors; for example, for transactions in illiquid securities, likelihood of execution and market impact might be considered more important. During the trading process when applying consideration to each execution factor, the Bank will use its experience and expertise to achieve the best possible balance across the full range of factors.