

# **Best Execution Policy Customer Distribution**

**ICBC Treasury Department**

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## **1. Introduction**

The Markets in Financial Instruments Directive (MiFID) best execution regime requires ICBC (London) plc and ICBC Limited London Branch (“ICBC”) to take all sufficient steps to protect the interests of the customers and market participants it deals with. This requires ICBC to determine the circumstances under which it may be expected to provide its customers with best execution and where such obligation is applicable, to obtain the best possible result for their clients taking into account price, cost, speed, likelihood of execution and settlement, size, nature and/or any other relevant order execution consideration, whether we are executing orders on behalf of clients or placing orders with, or passing orders to, others for execution. This overarching obligation to obtain the best possible result for clients is referred to, in this document as our obligation of ‘Best Execution’.

## **2. Policy Statement**

This Policy Statement outlines the processes that ICBC follows when executing orders or transmitting orders on your behalf in relation to Financial Instruments. ICBC has internal policies and processes which are designed to obtain the best possible execution result on a consistent basis based on relevant execution factors specified below. ICBC will take all reasonable steps to achieve Best Execution of your orders. The terms of this Policy Statement (as may be amended from time to time) will prevail in the event of any conflict between them and the provisions of any terms of business that may be agreed between ICBC and you. Defined terms in the Policy Statement shall have the same meanings given to them in the ICBC Relationship Terms of Business, unless stated otherwise.

## **3. Scope**

This Policy applies to all clients classified by ICBC as ‘Professional Clients’ and only to dealings in ‘Financial Instruments’ (each as defined in MiFID). Best Execution is only owed when ICBC accepts an order to execute a transaction on your behalf or in other circumstances where it has otherwise expressly agreed to accept such Best Execution obligations. ICBC’s commitment to provide you with Best Execution does not mean that it owes you any fiduciary duties over and above the specific regulatory obligations placed on it or as may be otherwise contracted between you and ICBC. When ICBC provides quotes or negotiates a price with you on request (i.e. dealing on a request for quote), irrespective of any initiation of the transaction by ICBC, this will not be receiving a ‘client order’ and will therefore not be subject to Best Execution when determining the price given to you.

## **4. Determining Where Best Execution May Apply**

We will generally assume that where we deal with clients classified as Professional Customers in line with our client categorisation policy and procedures, such clients have sufficient sophistication to access a range of execution options will not be placing reliance on ICBC to protect your interests in relation to pricing and other important elements of the transaction. This approach is consistent with the rules and guidelines provided by the Financial Conduct Authority (FCA) and to fully support our conclusions about the extent to which you may or may not be placing reliance on ICBC, we follow the four principals that support the regulatory application of best execution obligations:

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**1. Which party has initiated the transaction**

In examples where you initiate the transaction through a request-for-quote (RFQ), it is less likely that you are placing legitimate reliance on ICBC. In circumstances where ICBC may communicate trade ideas, market communications or indicative prices as part of general business, this will not be deemed to be initiating the transaction.

**2. 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 you will have ready access to various providers who may provide quotes and you have the ability to shop around, it is less likely that you will be placing reliance on ICBC. This is how majority of transactions with our sophisticated, professional clients are executed.

**3. The relative levels of transparency within a market**

In circumstances where pricing information is transparent and it is reasonable that you have access to such information, such as in a market where a client can request quotes from multiple counterparties, it is less likely that you will be placing legitimate reliance on ICBC.

**4. The information provided by the client and any agreement reached**

We also consider the extent to which agreements or arrangements with you (including the provisions communicated within this Policy) indicate or suggest that an understanding has been reached that you will place any legitimate reliance on ICBC, or where ICBC has explicitly agreed to provide best execution.

## **5. Types Of Transactions Where Best Execution May Have Limited Scope**

In some cases the Best Execution obligation technically applies but, because of the nature of the order given by you, or of the transaction, the obligation is, in effect, satisfied. These cases include the following:

### ***Single venue transactions***

Where the nature of the transaction results in there being only one venue, the only pricing consideration is time of execution. It therefore precludes the use of comparable prices.

### ***Highly structured transactions***

The Best Execution obligation applies only in very limited form, to highly structured off-exchange transactions where, due to the unique contractual structure entered into between you and ICBC, it is not possible to provide any comparisons with other transactions or instruments. MiFID recognises that different considerations apply where the transaction involves a customised OTC (over-the-counter) financial instrument tailored to your circumstances. Whilst Best Execution technically applies, there is little or nothing against which to compare the transaction. This applies if it is:

1. an OTC transaction, which is
2. highly structured/customised to the particular client and therefore
3. is not one of a series of similar deals to which the firm is a counterparty, and
4. there is nothing comparable in the market.

Where there are comparable products or market data available to estimate fairness, these will be considered.

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## 6. Client-Specific Instructions

Where clients give ICBC specific instructions in relation to the execution of an order, ICBC considers itself compliant with the Best Execution obligation when it takes all reasonable steps in order to achieve the best possible result for clients, by executing the order or a part of the order in line with client specific instructions concerning the order or a particular part of it.

**Specific instructions provided by clients may prevent ICBC from taking steps to obtain the best possible result for the execution of orders in respect of the elements covered by those instructions.**

**Where ICBC London executes an order, or specific aspect(s) of an order, following Specific instructions from a client, the obligation to take all sufficient steps to obtain the best possible result is met for that order, or aspects of the order, as applicable.**

In relation to those aspects of an order which are not covered by your specific instructions, ICBC London will exercise its sole discretion, having regard to the terms of your order in determining the factors that it needs to take into account for the purpose of providing clients with Best Execution.

## 7. Reception/Transmission and Execution of Orders

ICBC executes clients' orders in accordance with the following arrangements:

- Directly on regulated markets on which ICBC is a member;
- Via third parties with whom ICBC has a written agreement in place (including intermediaries within the ICBC Group);
- Against its own Book, acting as an execution venue; or
- Outside regulated market or MTF, acting as counterparty (Over the Counter)

Where ICBC transmits your order to another broker or dealer (third party) for execution, we will either determine the ultimate execution venue ourselves on the basis described above, and instruct the other broker or dealer (third party) accordingly, or we will satisfy ourselves that the other broker or dealer (third party) has arrangements in place to enable us to comply with our Best Execution obligations to you. This will also be applicable where the transaction is between ICBC and another ICBC group company. ICBC will also take reasonable steps not to structure or charge its commission in such a way as to discriminate unfairly between execution venues. As such, any differences in commissions or spreads provided to clients for execution on different execution venues will reflect actual differences in costs to the firm for executing on those venues.

Subject to your prior express consent as agreed to in the Relationship Terms of Business, ICBC may execute your orders on execution venues outside an EEA regulated market or EEA multilateral trading facility ("Off-Exchange Transactions").

## 8. Execution Factors

From time to time, clients may undertake business with us where a best execution obligation is applicable. To provide best execution when executing client orders in these cases and, in the absence of specific instructions from clients, ICBC will take into account the following execution factors:

- **Price** - does the execution venue offer prices that are as good as, or better than, competitors?
- **Costs** - covers explicit costs (for example, settlement costs), the costs of accessing a particular execution venue (for example, software costs) and implicit costs resulting from how the trade is executed.
- **Speed** - how quickly an execution venue can execute an order.

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- **Likelihood of execution and settlement** - depth of trading opportunities and therefore the likelihood that the execution venue will complete the client order.
  - **Size** - the order size that an execution venue typically accepts.
  - **Nature** - whether the execution venue is able to execute the type of order required.

## 9. Execution Criteria

When executing client orders, ICBC will determine the relative importance of the above execution factors based on any information or instructions clients give ICBC with their order and market information at the relevant time, taking into account the following criteria set out in Art. 64 of the MiFID Org Regulation:

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

ICBC may, in its absolute discretion, decide that any of these execution factors (or other factors) may be more important in determining the best possible execution result in accordance with this Policy Statement.

## 10. Execution Venue

For each Financial Instrument in which we execute orders on behalf of clients, we select venues that we consider enable us to obtain, on a consistent basis, Best Execution. The 'execution venues' that ICBC uses for different elements of carrying out investment services are set out in the Specific Service Terms for each service and may include:

- EEA Regulated Markets;
- Multi-lateral Trading Facilities (MTFs);
- Organised Trading Facility (OTF)
- Systematic Internalisers; and
- Other liquidity providers performing similar functions to the above.

ICBC will regularly assess the 'execution venues' available in respect of any products that are traded to identify those that will enable ICBC, on a consistent basis, to obtain the best possible result when executing orders. The list of specific execution venues that ICBC employs for order execution can be found in Annex 1 of the client version of this Best Execution Policy. This list will be formally reviewed and approved annually for each asset class. It is not an exhaustive list but comprises those venues on which ICBC places significant reliance.

ICBC reserves the right to use other execution venues where it deems this to be appropriate in accordance with this Policy. ICBC will consider all sources of reasonably available information including MTFs, local exchanges, brokers and data vendors, to obtain the best possible result for the client order.

The list of execution venues will then be updated, where necessary, following such assessment. You will not be notified separately of any changes to these venues.

As required by MiFID II, ICBC London makes available a list of the top execution venues and commentary for MiFID business. This can be found in Annex 2 of this Best Execution Policy.

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## **11. Order Handling and Record Keeping**

When executing orders on behalf of our clients, ICBC will provide prompt, fair and expeditious execution of client orders, relative to other orders or the trading interests of ICBC.

All orders are promptly and accurately recorded and allocated. Each Business Unit of ICBC maintains records regarding to the receipt and handling of client orders; and the execution or transmission of those orders.

## **12. Monitoring and Review**

ICBC will monitor the effectiveness of its execution arrangements and Policy and assess on a regular basis whether the execution venues it has selected provide for the best possible result for orders it executes on your behalf. ICBC will review this Policy at least annually and whenever a material change occurs that affects its ability to obtain the best possible results for its clients.

## **13. Client Consent**

You acknowledge that you have been made aware of and accept the nature, policy and processes which ICBC has in place for providing Best Execution (as defined in this Policy Statement) and that, in the absence of any express instructions from you, ICBC shall have full discretion to choose a relevant venue from its current list of venues for executing any order or orders, but in doing so shall assess and balance a range of all relevant factors, including those set out in this Policy Statement which, in its reasonable determination, ICBC considers relevant to achieving the best result for you. Upon placing your first order with ICBC, you will be deemed to have consented to this Policy Statement.

Where a material change has occurred to the Policy Statement, ICBC will inform you by publishing these on the ICBC website in the form of an amended Policy Statement. You will be deemed to have consented to the amended Policy Statement upon placing your first order with ICBC following receipt of the notice of change.

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## Annex 1 – List of Execution Venues

Below is a list of Execution Venues, as noted in Section 10, upon which significant reliance is placed by ICBC when executing client transactions for MiFID business. This list is subject to change, and will be refreshed periodically.

Venue
360T
FXAll

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## Annex 2 - Best Execution – MiFID Top 5 Execution Venues (RTS28 Report)

### Part A – Top 5 Execution Venue Reporting

#### Introduction

The Markets in Financial Instruments Directive (MiFID II) Commission Delegated Regulation (EU) 2017/576 RTS 28, requires firms to publish their Top 5 Execution Venues in terms of trading volumes and number of trades per Class of Financial Instruments per year ('The Venue Report'). Where MiFID orders are transmitted to another investment firm for execution, under Article 65(6) of MiFID firms are required to publish a separate Top 5 Report for these counterparties ('The Broker Report').

Annex I of RTS 28 specifies that this report should cover the following instruments:

- a) **Equities** – Shares and Depositary Receipts
- b) **Debt Instruments** – Bonds and Money Market Instruments
- c) **Interest Rate Derivatives** – Futures and Options admitted to trading on a trading venue, Swaps, Forwards and other Interest Rate Derivatives
- d) **Credit Derivatives** – Futures and Options admitted to trading on a trading venue, other Credit Derivatives
- e) **Currency Derivatives** – Futures and Options admitted to trading on a trading venue, Swaps, Forwards and other Currency Derivatives
- f) **Structured Finance instruments**
- g) **Equity Derivatives** - Futures and Options admitted to trading on a trading venue, Swaps and other Equity Derivatives
- h) **Securitised Derivatives** – Warrants and Certificate Derivatives, other Securitised Derivatives
- i) **Commodities Derivatives and Emissions Allowances Derivatives** - Futures and Options admitted to trading on a trading venue, other Commodities Derivatives and Emissions Allowances Derivatives
- j) **Contracts for Difference**
- k) **Exchange Traded Products** – ETFs, ETNs, ETCs
- l) **Emission allowances**
- m) **Other instruments**

#### Coverage

This report covers the following entities (referred to as 'ICBC'):

- ICBC (London) plc
- ICBC Limited London Branch

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## Disclosures

ICBC does not have any close links, conflicts of interests, or common ownerships with respect to any execution venues used to execute orders.

We do not have any specific arrangements with any execution venues with regards to payments made or received, discounts or rebates received, or other non-monetary benefits.

All of our clients are classified as Professional Clients or Eligible Counterparties (ECP) and so there are no figures to report for Retail Clients. Under MiFID, ICBC is therefore only required to report RTS28 figures for Professional Clients.

RTS 28 requires firms to report the information broken down into 'passive', 'aggressive' and 'directed' orders. These are defined below:

- 'passive order' means an order entered into the order book that provided liquidity
- 'aggressive order' means an order entered into the order book that took liquidity
- 'directed order' means an order where a specific execution venue was specified by the client prior to order execution

As our relevant business consists of Currency Derivatives on an RFQ basis, the terms 'passive order' and 'aggressive order' are not relevant, and those columns in the tables below therefore show 'N/A'.

ICBC does not pass any MiFID orders to counterparties for execution and does not undertake Securities Financing Transactions on-venue. There is therefore nothing to report under the 'broker report' and for Securities Financing Transactions.

## Commentary

RTS 28 requires ICBC to publish, per instrument class, a summary of the analysis and conclusions drawn from detailed monitoring of quality of execution. The only MiFID business conducted by ICBC in the reporting periods were instruments within the Currency Derivatives class as set out by MiFID. We set out our conclusions for these below:

- a. an explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;**

Relevant trades are executed directly with counterparties on an RFQ basis. Price is the main execution factor but, given the characteristics of the OTC market, consideration is given to operational considerations where this results in lower overall execution costs.

- b. a description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;**

As stated in the Disclosures section above, ICBC has no close links, conflicts of interest or common ownerships with respect to any execution venues used to execute orders.

- c. a description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;**

As stated in the Disclosures section above, ICBC has no specific arrangements with any execution venues regarding payments received, discounts, rebates or non-monetary benefits.

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- d. an explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy, if such a change occurred;**

No change has occurred since the last review of this policy.

- e. an explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements;**

ICBC only deals with Professional Clients and Eligible Counterparties (ECPs) and on an RFQ basis. As such, any difference in order execution arrangements is only affected by any 'special instructions' given by clients.

- f. an explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client;**

ICBC does not deal with retail clients.

- g. an explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Commission Delegated Regulation (EU) 2017/575;**

Trades are executed with counterparties on an RFQ basis in line with the relevant factors set out in (a). Aside from data on price, ICBC does not use any data or tools on a routine basis given the nature of OTC business.

- h. where applicable, an explanation of how the investment firm has used output of a consolidated tape provider established under Article 65 of Directive 2014/65/EU**

There is no available consolidated tape provider and ICBC has therefore not used such an output.

**Part B – Execution Information by Asset Class (Calendar Year)****Venue Report 2020**

<b>Class of instrument</b>	<b>Currency Derivatives</b>				
<b>Notification if &lt; 1 average trade per business day in the previous year</b>	Y				
<b>Top five execution venues ranked in terms of trading volumes (descending order)</b>	<b>Proportion of volume traded as a percentage of total in that class</b>	<b>Proportion of orders executed as percentage of total in that class</b>	<b>Percentage of passive orders</b>	<b>Percentage of aggressive orders</b>	<b>Percentage of directed orders</b>
360T - 5299001T4DEDEH9I0252	67.931%	71.66%	N/A	N/A	0%
FXAll - 549300561UZND4C7B569	32.069%	28.34%	N/A	N/A	0%

**Venue Report 2019**

<b>Class of instrument</b>	<b>Currency Derivatives</b>				
<b>Notification if &lt; 1 average trade per business day in the previous year</b>	Y				
<b>Top five execution venues ranked in terms of trading volumes (descending order)</b>	<b>Proportion of volume traded as a percentage of total in that class</b>	<b>Proportion of orders executed as percentage of total in that class</b>	<b>Percentage of passive orders</b>	<b>Percentage of aggressive orders</b>	<b>Percentage of directed orders</b>
360T - 5299001T4DEDEH9I0252	51.05%	52.34%	N/A	N/A	0%
FXAll - 549300561UZND4C7B569	48.95%	47.66%	N/A	N/A	0%

**Venue Report 2018**

<b>Class of instrument</b>	<b>Currency Derivatives</b>				
<b>Notification if &lt; 1 average trade per business day in the previous year</b>	Y				
<b>Top five execution venues ranked in terms of trading volumes (descending order)</b>	<b>Proportion of volume traded as a percentage of total in that class</b>	<b>Proportion of orders executed as percentage of total in that class</b>	<b>Percentage of passive orders</b>	<b>Percentage of aggressive orders</b>	<b>Percentage of directed orders</b>
360T - 5299001T4DEDEH9I0252	65.74%	65.00%	N/A	N/A	0%
FXAll - 549300561UZND4C7B569	34.26%	35.00%	N/A	N/A	0%