

# Order Execution Policy

December 2020



# 1 Introduction

As required by the Markets in Financial Instruments Directive ('MiFID'), this document sets out ICBC Standard Bank Plc's (the "Bank") Order Execution Policy (the "Policy") and arrangements for complying with the obligation to take all sufficient steps to obtain the best possible outcome for client orders and other relevant transaction requests (so called "best execution").

This Policy should be read in conjunction with the Bank's Terms of Business, the Bank's Disclosure Letter on Trading Practices and Information for Fixed Income, Currencies and Commodities, and any other relevant terms (e.g. Master Agreements). As detailed in the Bank's Terms of Business, you are deemed to have consented to your transactions being handled in accordance with this Policy.

## 2 Scope

This Policy is provided to you as a professional client (the "client") of the Bank, regardless of whether you are an elective professional or a per se professional client. The Policy is not applicable to business conducted with eligible counterparties, and the Bank does not deal with retail clients.

This Policy provides general information in respect to the Bank's approach to best execution, namely the obligation on the Bank to take all sufficient steps to obtain the best possible outcome for clients when dealing in **financial instruments** (other than for primary issuances of new securities). This policy is not applicable to transactions where a best execution obligation is not owed by the Bank.

A **financial instrument** in this context (as defined in Annex 1 Section C of MiFID) covers all types of fixed income securities and their related derivatives, along with currency, interest rate and commodity derivatives (e.g. swaps, futures). The following are not classed as being financial instruments: loans, spot foreign exchange, spot commodity contracts, and commodity contracts that are physically settled. Whether a best execution obligation applies or not to a particular transaction, the Bank has an overarching duty to treat all clients fairly and to act in their best interests.

This Policy deals with the activities of the Bank's Sales and Trading divisions, namely "Commodities" who trade commodity (physical and derivative) products, and "Fixed Income & Currencies" who trade credit (cash and derivatives), rates (cash and derivatives), and FX (spot and derivatives) products.

You may submit transaction requests in a number of different forms, including orders, request for quote, requests for indicative prices, other expressions of interests, or an instruction to trade. The Bank is not, however, under any obligation to accept and act upon such client transaction requests, subject to any applicable terms and conditions (e.g. relating to any electronic platforms that a transaction request is routed through).

## 3 When is a best execution obligation owed?

We consider that a best execution obligation generally applies under the following circumstances:

- **Order Driven Markets**

The obligation to provide best execution to you will arise in order driven markets where the Bank is acting on an agency/ agency style basis (for example re Base Metals Exchange Traded Commodity Derivatives).

- **Quote Driven Markets**

In quote driven markets (e.g. bonds, OTC derivatives), the Bank will be deemed to owe you a duty of best execution when the Bank is working an order on your behalf. Otherwise, when the Bank execute transactions on a principal basis best execution will only apply if you are placing 'legitimate reliance' on the Bank to protect your interests in relation to the relevant elements of the transaction. In order to determine whether you are 'legitimately relying' on the Bank in relation to a particular transaction, the Bank will assess the following four factors (the "four-fold test"):

- **Which party initiates the transaction:** where it is the Bank that 'initiates' a transaction a client is more likely to place 'legitimate reliance' on the Bank. In this context, 'initiate' means where the Bank specifically approaches a client regarding a potential transaction (this does not include the broad communication to clients of market colour, indicative prices or trade ideas);



- **Market practice and the existence of a convention to ‘shop around’:** In certain wholesale markets there is a common practice or convention to ‘shop around’ and obtain quotes from a number of dealers prior to a client executing any transaction. The existence of such a practice indicates that a client is less likely to place ‘legitimate reliance’ upon the Bank for execution of the transaction (for example, wholesale bond markets and liquid OTC derivative markets generally feature ‘shop around’ practices);
- **The relative levels of price transparency within a market:** In certain markets transparent prices may not be readily available to clients, and therefore a client is more likely to place reliance on the Bank; and
- **The Terms of Business/ other information provided to clients:** These must reflect the economic reality of the relationship.

In quote driven markets, we consider a duty of best execution is more likely to be owed to you in relation to highly illiquid financial instruments, unwinding of derivative transactions, or if you for any reason do not have a choice of available execution venues.

In quote driven markets, you are unlikely to be considered to be placing legitimate reliance on the Bank under the following trading scenarios/ situations:

- Where the Bank quote executable prices via a Regulated Market (i.e. exchange) or Multilateral Trading Facilities (“MTF’s”) and subsequently transact on a principal basis with you post your accepting the Bank’s quote;
- Where you seek a quote in competition and have the ability to shop around for alternative prices; and
- Where MTF/ e-trading platforms offer Request For Quote functionality, whereby a number of dealers offer executable prices in competition that are displayed concurrently to the client.

## 4 Achieving best execution

When a best execution obligation applies the Bank will take all sufficient steps to achieve best execution for its client. The Bank has in place policies and procedures that are designed to obtain on a consistent basis the best possible outcome for the execution of your transaction, subject to and taking into account the nature of the transaction request, the priorities placed on the Bank in filling the transaction request, and the nature of relevant markets. In taking all sufficient steps, the Bank will look to achieve the best balance across a range of sometimes conflicting execution factors (see section 6). The Bank will always consider and comply with any execution venue (e.g. exchange) rules and policies, which may impose more restrictive requirements than those set out in this Policy.

In extreme volume and volatile situations, MTF/ e-trading platform and exchange system constraints may require automated trading systems to be switched off and/ or electronic routing to be suspended in favour of manual execution. Such events may lead to execution delays and increased market volatility. You should be aware that in such volatile markets, especially at or near the close of a standard trading session, a transaction request may be executed at a substantially different price from the quoted bid or offer or the last reported trade price at the time a transaction request is made. In addition, a transaction request may only be partially executed or may be executed in several shapes at different prices, and opening prices may differ significantly from the previous day’s close.

The Bank will use its judgement based upon available market and other information, including, but not limited to, available price levels and actual liquidity available (e.g. during circumstances such as a disruption event), to determine whether the parameters of a transaction request have been satisfied and the extent to which the requested amount of a transaction request can be fulfilled under prevailing conditions to enable execution of a transaction in whole or in part.

The Bank aims to provide a consistently high standard of execution, including the provision of fair pricing, to all clients in relation to OTC transactions (e.g. bond and derivatives), regardless of whether a best execution obligation is owed or not. The Bank systematically applies a number of controls, processes and reviews in order to check the fairness of prices in relation to OTC transactions.

## 5 Client orders

We consider ourselves to be in receipt of an 'order' where an execution instruction is given to us that gives rise to contractual or agency obligations to you. Specifically, this will be the case where you commit to a trade that is not immediately executable, leaving discretion with us as to the manner of execution and exact terms of the resulting transaction, or where we execute an order as agent or riskless principal on your behalf. If the Bank provides quotes or negotiates a price on request (i.e. dealing on a RFQ basis) it will not generally be presumed to be receiving a client 'order'.

Where the Bank takes an order from you then the Bank owes you a duty of best execution (except in circumstances where you provide specific instructions relating to all order parameters – see section 7 below). The Bank does not, however, generally take orders in financial products, except in some commodity markets and certain other limited transaction types (such as bonds), and only when specifically agreed with a client.

Unless otherwise specifically agreed, the Bank will exercise its discretion appropriately in deciding which orders it would be willing to execute, when it would be willing to execute them, and how it would execute them, including whether to execute all or part of an order, unless the Bank have otherwise expressly agreed to different terms of execution.

Examples of the standard order types taken by the Bank are:

- Standard Intraday Market Order: An order with no limit price which is expected to execute immediately with existing buyers or sellers in the market;
- Limit order: An order to buy or sell a set amount of a financial instrument at a specified price or better;
- Order For The Close: An order to be executed, in its entirety at the closing price of the relevant execution venue for the security. This may or may not have a limit price attached; and
- Multiple instructions: An order where a client works very closely with the Bank's trader throughout its lifecycle, updating their instructions on a frequently basis. The resulting instruction may form a hybrid of the other instruction types as noted above.

## 6 Execution factors

When determining the strategy for execution of your transaction request the Bank will take into account certain relevant execution factors. In the absence of specific instructions from you (see section 7), the Bank will exercise its own judgement, skill and experience, having regard to available market information, when determining relevant execution factors, which may include (but are not limited to):

- price;
- speed;
- size;
- likelihood of execution and settlement;
- costs;
- nature; and
- any other consideration relevant to the execution of the transaction.

In the absence of specific client instructions, the Bank will also take into account the following criteria when determining the relative importance of the various execution factors: your characteristics; characteristics of your transaction request (market order, limit order etc); characteristics of the relevant financial instruments; and characteristics of any execution venues to which the transaction request may be directed.

The decision as to the relevant Execution Factors, and what ranking they are given, is undertaken on a trade by trade basis. The diverse markets for different financial instruments, and the varied types of transaction requests that clients place with the Bank, mean that different execution factors could be applicable each time the Bank considers a particular execution strategy. For example, there is no formalised market for some OTC transactions, in some markets price volatility may mean that timeliness of execution is a priority, whereas in an illiquid market the ability to actually execute the transaction may be the key execution factor.

In general, the Bank regards price as being the most important factor when seeking to obtain the best possible outcome for you in accordance with this Policy. However, in certain circumstances the Bank may determine that the other factors noted above may be more important than price. In addition, subject to any specific instructions you provide to the Bank (see section 7), the financial instrument to which the transaction request relates often dictates to a large extent the determination and ranking of the relative importance of the execution factors.

## 7 Specific Instructions

Whenever you provide a specific instruction to the Bank as to the execution of your transaction request, the Bank, subject to the FCA Rules, will execute that transaction request in accordance with your specific instructions. In following those specific instructions the Bank will be deemed to have satisfied its best execution obligations in respect of that part of the transaction request to which the specific instructions relate. If you require your transaction request to be executed in a particular manner you must clearly state the desired method of execution when placing your transaction request with the Bank. To the extent that your specific instructions are not comprehensive, the Bank will determine any non-specified aspects in accordance with this Policy.

**It should be noted that your specific instructions may prevent the Bank from taking the necessary steps it has designed and implemented in this Policy through which to obtain the best possible outcome for the execution of your transaction request in respect of the elements covered by those instructions.**

Where you use a direct market access (“DMA”) system provided by the Bank then you will be regarded as having provided specific instructions to the Bank in relation to all aspects of the execution of your transaction request. In such situations, the Bank, while acting on your behalf in providing the DMA service, will be deemed to have satisfied its best execution obligations, and the client will be deemed to have given a specific instruction for the whole transaction request by means of the DMA system.

## 8 Execution venues

Subject to any specific instructions you provide, the Bank may use one or more of the following execution venues to enable it to obtain the best possible outcome on a consistent basis when executing an order on your behalf:

- Regulated Markets;
- Multilateral Trading Facilities (MTFs);
- Organised Trading Facilities (OTFs);
- Systematic Internalisers (SIs);
- Internal sources of liquidity (i.e. matching client orders);
- The Bank and its affiliated companies’ trading desks, whereby the Bank itself is the execution venue; and
- Third party investment firms and brokers, or non EU entities performing similar functions, which may trade proprietary positions, act as market makers or as liquidity providers. Brokers may themselves be members of a Regulated Market, Organised Trading Facility, or MTF.

Appendix 1 to this Policy (List of Execution Venues) provides a list of the execution venues upon which either significant reliance is placed by the Bank when executing client orders, or through which the Bank regularly hedge our own market risk/ source liquidity when executing client transactions as principal. This Policy, including the List of Execution Venues, can be found on the Bank’s corporate website on the Regulatory Disclosures page ([www.icbcstandardbank.com](http://www.icbcstandardbank.com)).

As well as having regard to an entity’s access to markets and execution venues, when choosing entities through which the Bank executes client orders for inclusion in the List of Execution Venues, the Bank assesses each entity’s ability to obtain the best outcome on a consistent basis, having regard to the execution factors detailed under section 6.

The List of Execution Venues is non-exhaustive, and the Bank may use an execution venue that is not included on the List, for instance when executing an order for a financial instrument in which the Bank does not regularly transact.

Where applicable, whenever you place a transaction request with us, the Bank shall be entitled, in accordance with the Bank's execution policies and procedures, and without reference back to you, to select the execution venue that the Bank considers the most appropriate. Subject to any specific instructions, in order to select an execution venue for your order the Bank will apply the following criteria:

- When carrying out orders on a Regulated Market, OTF, or MTF, the Bank will select an execution venue that it considers the most appropriate. The execution venue may be a Regulated Market, OTF, or MTF itself, or the execution may be via a member firm who is a member of a Regulated Market, OTF, or MTF;
- For a financial instrument admitted to trading on a Regulated Market, OTF, or MTF, where the Bank believe a transaction request can be executed to a client's advantage or at no disadvantage to a client, the Bank may (subject to your having provided prior consent) transmit an order to, or execute a transaction request on, an execution venue that is outside a Regulated Market, OTF or MTF;
- For a financial instrument not admitted to trading on a Regulated Market, OTF, or MTF, the Bank will select the execution venue that is considered the most appropriate; and
- Where the Bank believes that a transaction request can be executed to your advantage or at no disadvantage to you, the Bank itself or an affiliate entity may be used as the execution venue.

Due to the nature of some of the markets in which the Bank operates, the execution venues chosen by the Bank for executing transaction requests are often product driven and there may only be limited venues, and in many instances only a single venue (which may be the Bank itself), for the execution of certain products.

Where necessary and relevant, the Bank will consider the advantages of indirect access, namely transmitting client transaction requests to a broker rather than executing those transaction requests itself. Any transactions executed outside of a Regulated Market, OTF or MTF will be subject to counterparty risk.

Where the Bank or an affiliate broker is the execution venue, the Bank will review the quality of such executions in the same way as it would for any other execution venue. Whilst aware of potential conflicts of interest in using the Bank itself or affiliates to execute your transactions, the Bank will seek to mitigate such conflicts through our control framework and ongoing monitoring and review programme (see section 11 below).

Further information on execution venue selection as applicable to specific asset classes is given under section 12.

## 9 Trading practices

Please note that the Bank, acting in either a principal (whereby the Bank act as an arm's length party to transactions with you) or agency capacity, may trade prior to or alongside your transactions to execute transactions for the Bank, to facilitate executions with other clients, to source liquidity, to manage risk (e.g. implementing or adjusting a hedge), or for other reasons.

Hedging activities may include trading in the same financial instrument, trading in correlated financial instruments, or establishing derivatives positions on any of the foregoing, and may also take account of other sources of exposure (such as market dislocations and disruptions). These activities can have an impact on the prices we offer you and the availability of liquidity at levels necessary to execute your transaction requests. They also can trigger stop loss orders, barriers, knock-outs, knock-ins and similar conditions. In conducting these activities, the Bank endeavours to employ reasonably designed means to avoid undue market impact.

## 10 Commissions and mark-ups

In order driven markets (such as exchange traded Base Metal derivatives), the Bank charge an agreed commission on a transaction.

In principal markets (such as bonds or OTC Derivatives), the Bank, in common with our competitors, does not charge an explicit commission but imposes a mark-up between where it may buy a financial instrument and where it may sell the same instrument. Unless otherwise expressly agreed, any firm or indicative bid, offer or

price quoted by the Bank in such a principal market is an “all-in” price, inclusive of any mark-up, regardless of the circumstances under which a client receives or otherwise learns of such a price.

In determining any mark-up, the Bank may take into account considerations such as liquidity of the transaction type in prevailing markets, market conditions, the type of transaction request, the execution venue, the size and/ or complexity of the transaction, credit, funding, and capital costs, risk management/ hedging aspects, risk limit utilisation, trade processing costs, sales efforts, applicable regulatory requirements, and any other relevant considerations. As such considerations may vary over time and between clients, and the Bank may offer different prices to different clients for the same or similar transactions or components of such transactions. The Bank will ensure that mark-ups charged on transactions where best execution is owed are not excessive, and will be within a range that we consider reasonable for the type, tenor and size of the transaction. Bank commissions and charging structures are designed not to discriminate between execution venues.

## 11 Monitoring and Policy review

The Bank evaluates, on a risk basis, transactions to which the best execution obligation applies for compliance with this policy through post-execution surveillance, benchmarking and analysis. This monitoring program is performed by the Bank’s Front Office and Compliance teams. The Bank reviews this Policy on an annual basis, and when a material change occurs, to identify and, where appropriate, correct any deficiencies, and to consider whether all sufficient steps are being taken to obtain the best possible result for the execution of relevant client transactions. Furthermore, on a periodic basis the Bank will also assess whether the execution venues it uses in relation to client orders (including any brokers and dealers to whom the Bank transmit transaction requests) continue to provide for the best outcome for clients on a consistent basis. The Bank will also issue a yearly report identifying the venues that it most frequently accesses.

Changes to this Policy and the List of Execution Venues will be notified through the Bank’s corporate website to both current and prospective clients.

## 12 Asset class execution strategies

The Bank adopts differing execution strategies depending on the characteristics of the client, transaction request, financial instrument, relevant execution venues and markets being traded. Guidance on where we consider best execution obligations likely to apply, the execution strategies likely to be employed, and the relevant importance given to differing execution factors, is provided below for the most relevant asset classes traded by the Bank.

### Base Metals - Exchange Traded Commodity Derivatives

- Base metal exchange traded derivatives are executed on the Base Metal trading desk. If a transaction meets the criteria for registration as a London Metals Exchange (“LME”) client contract, unless otherwise agreed with you, it will be registered as such an on exchange contract. Transactions that are unable to be registered as LME client contracts due for example, to the prompt date, currency or volume not meeting LME contract specifications, will be classed as OTC contracts.
- If you define all the parameters of your order, we will endeavour to execute it according to such instructions as long as there is sufficient market liquidity otherwise we may execute with the Bank as your counterparty (if our prevailing risk appetite allows us to do so).
- We are able to execute LME client contracts for you in a variety of ways; on the LME’s electronic trading platform (“LMEselect”), via open outcry during the ring and kerb sessions, or directly with the Bank as your counterparty. Unless you indicate your preferred method of execution, we will make the decision on how to execute your order. Please note that if we are unable to accept your instruction/ order we will inform you of this, but may not always be able to provide you with the reason behind the refusal. If we decide to offset the risk of your order by trading immediately with another counterparty or client or on LMEselect, we will act as a riskless principal in such dealings. In such circumstances, we will pass on the price we receive to you, plus your defined commission or mark-up/ mark-down.
- If you state “LMEselect” on an instruction, you need to clarify whether you wish your order to be placed on LMEselect, in full or in part, or whether you will accept a fill, in full or in part, once the price has traded on LMEselect.



- If you state “Rings/ Kerb/ Floor” on an instruction, you need to clarify whether you wish your order to be traded on the LME floor, in full or in part, or whether you will accept a fill, in full or in part, once the price has traded during the relevant floor session. Please note that as we are not a Ring Dealing Member of the LME, we may not always be able to guarantee that your order will be shown across the LME floor if you make such a request. We will inform the Ring Dealing Member to whom we pass the instruction of your request.
- If you ask us to make a quote to trade with the Bank as your counterparty, be it a one-way or a two-way quote, we will when formulating our price, take into account numerous factors (as described under section 10 above), including but not limited to, our risk appetite, the prevailing market conditions, the volume requested, and any credit considerations or counterparty risk issues (if applicable). You are under no obligation to accept the quote and you may refuse to trade on the quote without providing us with any further information, or you may provide a counter bid/ offer which we may or may not be able to accommodate, or you may place a firm order with us to work on your behalf.
- You may place orders that confer a degree of discretion on us to decide how to execute the order but we will require from you clarification of the importance of the order parameters (i.e. a price above which you do not wish to buy, below which you do not wish to sell), to enable us to decide if we are able to act on your behalf. If we are unable to accept the order terms we will inform you accordingly.

### OTC Derivatives - Credit, Rates, FX, and Commodities

- OTC Derivatives are executed with clients by all the Bank’s trading desks, on a principal basis with the Bank as your counterparty.
- We consider that a best execution obligation is unlikely to apply in circumstances where we are requested by you to provide a quote, and where there is both transparency of prices and a call around convention in the market (this would tend to be with regard to more vanilla, liquid products). An obligation may apply with respect to more structured or highly illiquid OTC Derivatives, or for example where you have asked us for an OTC derivative unwind quote.
- There are no formalised markets, and in most instances no standard settlement infrastructure, for OTC derivative products, though some contract variants are subject to central clearing.
- The Bank’s dealing in OTC derivatives is limited to pre-authorised clients with whom legal and ISDA agreements are in place, including agreements to facilitate settlement (‘give-up agreements’) for certain centrally cleared derivative contracts.
- For a limited number of OTC products (e.g. FX and Precious Derivatives) the Bank provides prices/ quotes and accepts transaction requests from pre-authorised clients (on a principal basis with the Bank as your counterparty) via electronic platforms (as detailed in Appendix 1 to this Policy - the List of Execution Venues).
- Generally, the most important execution factor will be the execution price. Other key execution factors are size, speed, and likelihood of execution and for more complex or large OTC derivatives these factors become more significant.
- In certain cases, the nature of a transaction is tailored to meet the client’s specific needs and there are little or no comparable products available in the market with which a price or cost comparison can be made. Where this occurs, the Bank will assess the unique features of the transaction and the client’s instructions to determine the relevant execution factors to be taken into account when executing the client’s transaction request.
- Transaction requests for OTC derivatives can also involve highly prescriptive specific instructions from you as to how you require the transaction to be executed, and this will limit any duty of best execution to those matters which are not covered by specific instructions.

### Bonds – Corporate, Government, Super Sovereign and Agency

- Bonds are executed with clients by the Credit and Local Markets trading desks via voice, interdealer and other electronic platforms, on a principal basis with the Bank as your counterparty.
- Typically bond executions are undertaken via a request for quote process, where a best execution obligation would tend not to apply. There are, however, request for quote scenarios where we consider



that the client is placing legitimate reliance upon the Bank and a best execution obligation does apply, and these are summarised under section 3 above.

- We consider that the bank will owe you a duty of best execution when executing bond orders on your behalf (for example resting orders).
- The decision as to an appropriate execution strategy is undertaken on a trade by trade basis, and will depend on the goals of the client. Since commissions are not charged on cash bond transactions, direct costs do not need to be considered in determining best execution.
- For liquid bonds, in particular government bonds, generally the most important execution factors will be the execution price, followed by speed and size.
- For more illiquid bonds the Bank's access to liquidity in the marketplace may be limited. For such products, while price remains a key consideration, likelihood and speed of execution as well as executable size and ability to settle are also deemed to be important. In these markets a client's sensitivity to price may be diminished in lieu of the goal to buy or sell a certain quantity within a given timeframe, and in such a scenario achieving the client's goal of prompt execution will likely constitute a significant factor in determining best execution.
- When seeking to execute your resting order the Bank will seek to fill your transaction as soon as possible, at the target price or a better price, whilst applying a mark-up or spread as compensation for our work and (residual) risks. This mark-up, as described under section 10, will be within a range of what we consider reasonable for the product type, tenor and size of the trade.

## Appendix 1: List of Execution Venues

Below is a list of Execution Venues, as noted in sections 8 and 12 of the Order Execution Policy, upon which either significant reliance is placed by ICBC Standard Bank Plc ("Bank") when executing client orders, or through which the Bank regularly hedge our own market risk or source liquidity when executing client transactions as principal. This is not exhaustive list, as highlighted in section 8 of the Order Execution Policy, is subject to change, and will be re-issued periodically.

### Commodity Derivatives (Future, Option, SWAP)

(Venues through which the Bank execute client orders, or hedge our own market risk/ source liquidity when executing client transactions as principal)

ICBCS Standard Bank Plc	London Metal Exchange
CME	Ice Futures
Shanghai Gold Exchange	WebICE

As the Bank trades the following products on a principal basis the execution venue will always be **ICBC Standard Bank Plc**. Venues that we frequently use to hedge our own market risk or to source liquidity when executing client transactions as principal are detailed below.

### FX Derivatives (Future, Option, SWAP))

ICBC Standard Bank Plc	360T
BidFX	Bloomberg FXGO
FXALL	JPM Execute
SBSA Market Trader	Reuters FXT

### Bonds (Corporate, Government, Super Sovereign, Agency)

ICBC Standard Bank Plc	Bloomberg ALLQ
GBX Credit	MarketAxess
Tradition TRADe	Tullet Prebon Credit Deal

### Securities Financing Transactions (Repo, Stockloan etc)

ICBC Standard Bank Plc	
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### Interest Rate Derivative Products

ICBC Standard Bank Plc	Tradeweb
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