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NIBC Best Execution Policy
January 2018



I. Purpose of this Policy

This best execution policy ("Policy") provides clients with a summary of the order execution arrangements implemented by NIBC Bank N.V. ("NIBC") to comply with the obligations under the revised Markets in Financial Instruments Directive 2014/65/EU and implementing measures as transposed into national laws and regulations ("MiFID II").

Best execution is the overarching obligation to take all sufficient steps to obtain the best possible result for clients when executing client orders or receiving and transmitting orders on their behalf, taking into account factors such as price, speed, likelihood of execution and settlement, size, nature or any other considerations relevant to the execution of the order.

This Policy explains when the obligation to provide best execution applies, how (when applicable) the best possible result for clients is achieved and provides clients with information on the execution criteria and factors that NIBC will consider when trying to obtain the best possible result when executing orders for clients.

Where not immediately defined in the text hereof, defined terms have the meanings set out in [Appendix B](#).

2. Scope of the Policy

This Policy applies to Professional clients and Retail clients (in this Policy referred to as Non-professional clients). Clients have received a notification from NIBC informing them of their client categorisation.

When this Policy applies differently in respect of Non-professional clients and Professional clients, this will be specified.

This Policy will apply when NIBC is executing orders on behalf of clients (including when dealing as principal), or when NIBC is providing the service of reception and transmission of client orders to other entities for execution. The financial instruments covered by this Policy include, but are not limited to, cash equity and equity-like instruments, cash fixed income instruments and OTC derivatives.

Please note that, in accordance with MiFID II, this Policy does not apply to orders and Request for Quotes (RFQs) from clients categorised as Eligible Counterparty (including clients that have opted up to Eligible Counterparty). These clients are deemed to be sophisticated enough to protect their own interests. Accordingly, NIBC does not owe any best execution obligation to Eligible Counterparties.

3. How do we determine whether best execution is owed

The rules on the application of best execution apply when NIBC is acting on behalf of the client. In order to determine this we distinguish between NIBC acting as agent for the client and where NIBC is acting as principal to the client.

3.1 Acting as agent or riskless principal

NIBC owes a duty of best execution where it acts in an agency of riskless principal capacity when:

- (i) executing orders on behalf of clients; or
- (ii) transmitting client orders to third party brokers for execution.

3.2 Acting as principal

The best execution obligation is also applicable when NIBC is acting in a principal capacity and the client is placing a legitimate reliance on NIBC to protect its interest in relation to the execution of a client order or a RFQ.

In order to determine this, as recommended by the European Commission, NIBC applies a four-fold cumulative test to its trading activity by considering:

- whether the client or NIBC initiates the transaction. In those cases where NIBC approaches the client and suggests him to enter into a specific transaction, the client is more likely to place legitimate reliance on NIBC;
- applicable market practice. For instance, if it is the convention for a client to 'shop around' by approaching several dealers for a quote for a particular transaction, it is less likely that this client is placing legitimate reliance on NIBC (as the (counter)party selected by the client for that transaction);
- relative levels of transparency within a market. If the client does not have access to market prices while NIBC does, this is an indication that the client is placing legitimate reliance on NIBC in relation to the pricing of the transaction.
- the information provided by NIBC about its services and the terms if any agreement between NIBC and the client, including any contractual arrangement with regard to whether best execution obligations apply.

Consequently, the obligation to provide best execution will generally not apply when NIBC is responding to an RFQ from a Professional client and the client has the ability to shop around for alternative quotes.

However, the duty of best execution will always apply when NIBC acts in a principal capacity with Non-professional clients, including when responding to a RFQ from a Non-Professional client.

3.3 Examples

Circumstances in which the client may be considered to be placing a legitimate reliance on NIBC (acting as principal) may include, but are not limited to:

- where the client, as a result of the nature of the transaction, may reasonably be considered to be unable to 'shop around' by approaching several dealers for a quote;
- where NIBC, is making decisions as to how the order is executed, e.g. where NIBC is 'working the order' on the client's behalf.

3.4 Specific Instructions

If the client provides specific instructions in relation to any aspect of the carrying of a client order (for example, where the client instructs NIBC to execute the order on a particular venue, at a particular time or at a particular price), or otherwise selects specific parameters of the transaction, then NIBC will execute the transaction in accordance with these instructions or parameters and it will not have discretion in respect of how (that aspect of) the order is executed.

As a result, by following a specific instruction from the client, NIBC will have satisfied the obligation to provide the client with best execution in relation to that order.

It is noted that if a specific instruction is provided by the client, this may prevent NIBC from following some or all of the steps in this Policy that are designed to obtain the best possible result for the execution of orders.

4. How does NIBC provide best execution

4.1 Execution Factors

In order to achieve best execution when carrying out an order on behalf of a client, NIBC is taking into account the following factors (the "Execution Factors") relevant to the execution of the client order:

- **Price** – the price offered by the relevant execution venue(s) for the transaction;
- **Costs** – Costs can be both explicit and implicit. Explicit costs could include transaction costs (for example, clearing and settlement fees) and the costs of execution venues. Implicit costs result from how a trade is executed (for example, immediately or patiently, in a block, aggregated with other trades, or in segments at different execution venues);
- **Speed of execution and settlement** – the time it takes to complete the transaction through the relevant execution venue(s);

- **Likelihood of execution and settlement** – the likelihood that a transaction will be completed through a relevant execution venue;
- **Size and likely market impact** – the size of the order in absolute terms, and/or relative to liquidity on the relevant execution venue(s), taking into account how the size of the transaction affects (best) execution outcome for the client (with regard to pricing or any other relevant execution factor);
- **Nature of the order** – any particularities of the client order or the relevant financial instrument(s), that may affect (the manner of) carrying out of that order; and
- **Any other consideration** – any other circumstances relevant to the carrying out of an order, including prevailing market conditions.

4.2 Determining relative importance

The relative importance of the Execution Factors will depend on the characteristics of the client, including the categorisation of the client as Non-professional or Professional, the characteristics of the order from the client, the characteristics of the financial instruments that are the subject of the order and the characteristics of the execution venues to which the order can be directed (as set out in paragraph 5 below).

When carrying out an order on behalf of a Non-professional client, the provision of best execution will be determined in terms of “Total Consideration”. Total Consideration is the price of the relevant financial instrument, plus the costs related to execution of the order. These costs will include all expenses incurred which are directly related to the carrying out of the order (such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the carrying out of the order), as well as the fees or commissions of NIBC itself.

For Non-professional client orders, the Execution Factors, other than price and cost, will also be considered, as set out in this Policy, but will be given precedence only insofar as they are instrumental in delivering the best possible result in terms of the Total Consideration to the client.

When carrying out orders for Professional Clients, NIBC will generally regard price and cost as the most important factors for best execution, however there may be circumstances when NIBC may determine that other execution factors have a greater influence in achieving the best possible result.

Please refer to [Appendix A](#) for additional information on how best execution will be achieved.

4.3 Fairness of price check for OTC products

Where the duty to provide best execution applies in accordance with this Policy, NIBC is required to check the fairness of the price proposed to the client when executing orders or taking decisions to deal in OTC products, including bespoke products, by gathering market data used in the estimation of the price of such products and, where possible, by comparing with similar or comparable products. As a result, NIBC will benchmark the proposed price against external or internal reference prices. Wherever possible, we will use external prices, from trading venues, brokers etc, to compare the quote offered by NIBC against market prices. Where external data is unavailable or limited in scope or quality, internal reference price data may be used.

5. Execution venues

Subject to paragraph 5.3 below and if permitted by applicable law, NIBC may use one or more of the following venues when carrying out an order on the client's behalf:

- Regulated markets;
- Multilateral trading facilities (MTFs);
- Organized Trading Facility (OTF);
- Systematic Internaliser;
- Third party investment firms and brokers (or non EU entities performing similar functions) which also may trade in principal capacity, and act as market makers and liquidity providers;
- NIBC acting in principal capacity outside of a trading venue;
- Other internal sources of liquidity (including by matching with other client orders).

5.1 Third party brokers

For multiple reasons, including (without limitation) because NIBC is not a member/participant of a particular trading venue, or in order to benefit from a third party Smart Order Routing system (as further described in paragraph 6.4), NIBC may engage the services of third party brokers to assist in the execution of client orders.

A third party broker is an intermediary who can execute orders or instruct third parties to execute orders.

5.2 Selection of execution venues

NIBC will select and review execution venues (including third party brokers) based on a variety of factors, which may include, where relevant to the particular venue:

- its ability to provide best price;
- its cost level;
- its ability to deliver reliable and timely execution and settlement;
- the level of access to liquidity its offers;
- the clearing and settlement requirements;
- its reputation; financial situation;
- its trading controls;
- its regulatory compliance; and
- system connectivity.

Furthermore, any third party broker selected should have execution arrangements in place that enable NIBC to comply with its best execution duties towards its clients.

In Appendix A, a list of execution venues is provided on which NIBC places significant reliance in meeting its best execution obligations. This list includes a specification of which execution venues are used for each class of financial instruments. This list may evolve and NIBC reserves the right to include/exclude venues at its own discretion.

In executing client orders NIBC's own commissions and the costs for executing the order on each of the eligible execution venues shall be taken into account in that assessment. NIBC does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular execution venue

which would infringe any conflicts of interest or inducement requirements under MiFID II, and in particular Article 24(9) of MIFID II. NIBC does not participate in any payment for order flow arrangements.

5.3 Order execution outside a Trading Venue

Under circumstances it can be beneficial to the client to execute all or part of an order outside a regulated market, an MTF or an OTF.

NIBC may decide to execute client orders outside a Trading Venue provided the client has given its consent. Although this might result in an improved execution price and faster execution, additional risks may be incurred. These risks arise as orders executed outside a Trading Venue will not be subject to the rules of Trading Venues, which are designed to provide for a fair and orderly treatment of orders. Also a settlement risk may be incurred as transactions will be subject to counterparty risk and will not be covered by the relevant clearing and settlement rules of the Trading Venue.

6. Order Handling

6.1. General

When executing orders on behalf of clients, NIBC will ensure the prompt and accurate recording and allocation. In the event that we receive comparable orders from two or more clients, the orders will be executed promptly and sequentially unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise.

Information in respect of executed or pending client orders will be treated as confidential and NIBC will take all reasonable steps to ensure that information of any pending orders will not be misused.

Non-professional clients will be informed in case of any material difficulties that would prevent NIBC from properly carrying out the client's order upon NIBC becomes aware of such difficulty.

6.2 Aggregation and Allocation

According to its order execution arrangements, NIBC will generally not aggregate any client orders with other client orders or any transactions for its own account.

However, in certain circumstances aggregation of client orders may occur when the following conditions are met:

- a) It is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated;
- b) It is disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order;
- c) The implementation of an order allocation policy by NIBC providing for the fair allocation of aggregated orders and transactions including how the volume and price of orders determines allocations and the treatment of partial executions.

For client orders aggregated with transactions on own account by NIBC that have only been partially executed, priority in allocation will be given to the client order and this will be done in a manner that is not detrimental to the client.

When NIBC can demonstrate on reasonable grounds that without aggregating the order with the transaction on own account, the order could not have been executed or executed on such favorable terms, it may allocate the transaction for own account proportionally, in accordance with its order allocation policy.

If NIBC determines that an allocation of a transaction for our own account which was executed in combination with one or more client orders, requires reallocation, this will only occur where it is fair, reasonable and not to the detriment of clients.

6.3 Limit orders

Under MiFID II NIBC is required to make public any limit orders - for shares admitted to trading on a

regulated market or traded on a Trading Venue - which are not immediately executed under prevailing market conditions unless a client expressly instructs otherwise. NIBC feels that this requirement is not in the best interests of our clients. Clients are therefore requested to instruct to NIBC not to make public any limit order the Client may place with NIBC in respect of shares traded on a regulated market or traded on a Trading Venue where that order cannot immediately be executed.

6.4 Smart Order Routing

NIBC may transmit client orders to a Smart Order Router (SOR) system operated by a third party broker. A SOR uses advanced routing rules and algorithms to direct orders in financial instruments to a range of trading venues in order to optimise the execution outcome.

Orders of Non-professional Clients and Professional Clients which are routed through a SOR will be considered agency trades and a duty of best execution will apply accordingly. Where the client sets SOR parameters, these will be considered specific instructions and treated in accordance with 4.3. above. Where a third party SOR is used, best execution will be reached in accordance with the methodology used by that SOR.

NIBC does not offer its own SOR, or otherwise uses algorithms for the purpose of executing or routing client orders.

7. Monitoring and review

Internal procedures will enable NIBC to monitor the effectiveness of its order execution arrangements, including the execution venues used, to seek to ensure that best execution is provided on a consistent basis where applicable.

This Policy and the order execution arrangements of NIBC will be reviewed at least annually or when a material change occurs that affects the ability of NIBC to continue to obtain the best possible result when executing orders for its clients. The latest version of this Policy is available on the website of NIBC (www.nibc.com).

8. Reporting

NIBC is subject to best execution reporting obligations under MiFID II. This includes the publication of data on the quality of execution for each class of financial instrument as listed in Appendix A. The content and format of the data to be made public is specified and will include, but is not limited to, details on price, cost, speed and likelihood of execution. NIBC is further required to publish on an annual basis a list of the top five execution venues for each class of financial instruments traded. The latest execution quality data published are available on the website of NIBC (www.nibc.com) for a minimum period of two years.

Upon reasonable and proportionate request NIBC will, within a reasonable timeframe, provide clients with information regarding this Policy and the performance of NIBC in handling of its orders and RFQs.

9. Consent

This Policy shall apply to the investment services provided by NIBC. By entering into a contract with NIBC for investment services or by giving NIBC orders for execution, the client is deemed as giving its consent to this Policy unless NIBC is expressly notified otherwise.

If you have any questions with regard to this Policy, please do not hesitate to contact your account manager.

Appendix A - Order handling per class of financial instruments

A. Cash Equity and equity-like instruments

This class of financial instruments consists of Shares, Depository receipts, ETF's, Certificates and other similar cash equity or equity-like instruments.

Smart Order Routing

Orders are generally transmitted to a Smart Order Router (SOR) system operated by Kepler Chevreux, acting as a third party broker. Through this automated system access is provided to a wide range of execution venue(s) worldwide in a manner that aims to optimize the execution outcome.

Subject to the limitations set out in this Policy and if permitted by applicable law, orders executed through the SOR may be executed on a Trading Venue, but also outside of a Trading Venue with a Systematic Internaliser or other liquidity provider.

Trade venue Membership

NIBC uses its own membership on NYSE Euronext as a Regulated Market for execution of client orders in single-listed financial instruments.

Other execution strategies

Furthermore, subject to the limitations set out in this Policy and if permitted by applicable law, NIBC may execute client orders :

- in a principal capacity or riskless principal capacity;
- by crossing a client order with a matching order of another client; or
- with a Systematic Internaliser or other liquidity provider.

In those cases, it will depend on the criteria set out in paragraph 3 of this Policy, whether and to what extent a duty of best execution is owed to the client.

Where this duty applies and the client order is executed on an OTC basis, NIBC shall ensure that it shall check the fairness of the price proposed to the client in accordance with paragraph 4.3.

Execution Factors

For *Non-professional Client* Total Consideration of price and cost are the determining executing factors. When instrumental the following secondary criteria can be considered in order of importance:

- 1) Speed of execution;
- 2) Likelihood of execution and settlement;
- 3) Size and nature of the order;
- 4) Likely market impact.

When placing an order for a professional client, NIBC will determine a range of different factors, as listed below in order of importance, to determine the manner in which the orders on behalf of the client will be executed.

- 1) Price;
- 2) Cost;
- 3) Speed of execution;
- 4) Likelihood of execution and settlement;
- 5) Size and nature of the order;
- 6) Likely market impact.

B. Cash Fixed Income instruments

Cash Fixed Income instruments include money market instruments, rates products (government bonds), credit products (Corporates, Financials, High Yield and Emerging Markets).

RFQ-based transactions

In view of the OTC-based nature of the market in cash fixed income instruments, transactions with clients will often be performed, with NIBC acting in a principal capacity (subject to the limitations set out in this Policy and if permitted by applicable law) and with clients deciding whether or not to accept the price quoted by NIBC.

In those cases, it will depend on the criteria set out in paragraph 3 of this Policy, whether and to what extent a duty of best execution is owed to the client.

Where this duty applies and the client order is executed on an OTC basis, NIBC shall ensure that it shall check the fairness of the price proposed to the client in accordance with paragraph 4.3.

Smart Order Routing

Orders may be transmitted to a Smart Order Router (SOR) system operated by Kepler Cheuvreux, acting as a third party broker. Through this automated system access is provided to a wide range of execution venue(s) worldwide in a manner that aims to optimise the execution outcome.

Subject to the limitations set out in this Policy and if permitted by applicable law, orders executed through the SOR may be executed on a Trading Venue, but also outside of a Trading Venue with an Systematic Internaliser or other liquidity provider.

Trading Venue membership

NIBC uses its membership of several Trading Venues to execute orders on behalf of clients.

The Trading Venues on which NIBC places significant reliance in meeting its best execution obligations on a consistent basis include:

- NYSE Euronext
- Bloomberg MTF
- Market Axess MTF

Other execution strategies

Furthermore, subject to the limitations set out in this Policy and if permitted by applicable law, NIBC may execute client orders:

- in riskless principal capacity;
- by crossing a client order with a matching order of another client; or
- with a Systematic Internaliser or other liquidity provider.

In those cases, it will depend on the criteria set out in paragraph 3 of this Policy, whether and to what extent a duty of best execution is owed to the client.

Where this duty applies and the client order is executed on an OTC basis, NIBC shall ensure that it shall check the fairness of the price proposed to the client in accordance with paragraph 4.3.

Execution Factors

The relative importance of the Execution Factors is determined on a trade-by-trade basis. Generally

price is the most important Execution Factor. For orders of larger sizes other Execution Factors such as the likelihood of execution, market impact and speed of execution might be more important than price. Also, when trading debt instruments where liquidity is limited, likelihood of execution and settlement may be more important than price.

C. OTC Derivatives

NIBC may trade with clients in a range of OTC Derivatives such as:

- Interest rate swaps
- Interest rate cap
- Interest rate collar
- Interest rate floor
- FX forward
- FX options
- Swaption NL

These are bilateral derivatives contracts negotiated on a case by case base according to an order or request for quote from the client. In all cases, subject to this Policy and if permitted by applicable law, these transactions are executed outside of a Trading Venue ("OTC") whereby NIBC trades as principal with clients deciding whether or not to accept the price quoted.

In those cases, it will depend on the criteria set out in paragraph 3 of this Policy, whether and to what extent a duty of best execution is owed to the client.

Where this duty applies and the client order is executed on an OTC basis, NIBC shall ensure that it shall check the fairness of the price proposed to the client in accordance with paragraph 4.3.2.

For both Non-professional and professional clients, Total Consideration of price and cost are the determining executing factors.

Appendix B - Definitions

Execution Venue:

As specified in paragraph 5 of this Policy.

MTF:

a multi-lateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments in a way that results in a contract in accordance with the provisions of Title II of MiFID II.

OTF:

Organized Trading Facility. A multi-lateral system which is not a Regulated Market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of MiFID II.

Regulated Markets (RM):

a multi-lateral system operated and/or managed by a market operator, which facilitates the bringing together of multiple third-party buying and selling interests in financial instruments 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 and in accordance with the provisions of Title III of MiFID II.

Systematic Internaliser:

an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client transactions outside a Regulated Market or an MTF.

Trading Venue:

A Regulated Market, an MTF or an OTF.

Shares in companies:

Defined in Article 4(1)(44)(a) of MiFID II.

Depositary receipts:

Defined in Article 4(1)(45) of MiFID II.

ETFs:

Exchange-traded funds as defined in Article 4(1)(46) of MiFID II.

Certificates:

Defined in Article 2(1)(27) of MiFIR.

Professional clients:

a client categorised as such in accordance with MiFID II.

Retail clients:

a client not categorised as such in accordance with MiFID II, and subject to the highest level of investor protection. Also referred to as "Non-professional client".

Eligible Counterparty:

a client not categorised as such in accordance with MiFID II, and subject to the lowest level of investor protection.