Order Execution Principles in Financial Instruments for Professional Clients (Best Execution Policy) DekaBank Deutsche Girozentrale

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Order Execution Principles in Financial Instruments for Professional Clients (Best Execution Policy) DekaBank Deutsche Girozentrale

The following provisions are intended for "Professional Clients."

1. General Remarks

1.1. Purpose of the Order Execution Principles

The principles outlined below describe the execution methods and venues for the relevant types of financial instruments that are expected, as a rule, to systematically provide a consistently best possible execution in the interest of the client. These are the venues through which DekaBank (hereinafter referred to as "the Bank") will execute client orders. However, this does not guarantee that the best possible execution will be achieved in every individual case.

Furthermore, the selection process underlying these decisions is described, particularly the factors for choosing execution venues and, in the case of forwarding orders, the criteria for selecting intermediary financial service providers.

1.2. Scope of the Principles

The principles apply to the execution of orders that the client places with the Bank for the purpose of purchasing or selling securities or other financial instruments. Execution in this sense means that the Bank, based on the client's order, concludes a corresponding execution transaction in its own name and on the client's account on an appropriate market. However, if the Bank and the client enter into a purchase agreement for financial instruments at a fixed or determinable price (fixed-price transaction), the provisions regarding fixed-price transactions apply.

To determine the best possible execution of client orders, the following criteria are considered and weighted based on the specific product. In doing so, the Bank always aims to achieve the best possible result for the client in accordance with Section 82 (2) of the German Securities Trading Act (WpHG):

- Price of the financial instrument
- Costs of order execution
- Speed of order execution
- Likelihood of order execution
- Likelihood of settlement
- Size of the order
- Nature of the order
- Other relevant aspects

Using these decision factors and their weighting concerning the product category, order characteristics, client type, and specific features of potential execution venues, a superior execution venue is typically assigned. If multiple trading venues offer equally good execution quality for a financial instrument, the Bank selects among these venues at its discretion. However, the Bank may deviate from this in individual cases if it is evident, considering the specific circumstances, that a deviation is in the best interest of the client or necessary to achieve the best possible result for the specific transaction.

Execution venues must best fulfill the above-mentioned criteria to be approved as an execution venue for the Bank's client transactions. They are evaluated based on publicly available information. A current overview of the execution venues can be found in the appendix.

The Bank also applies the principles defined here to Exchange Traded Funds (ETFs), but not to transactions involving shares in investment funds that are issued or redeemed directly through the respective investment company or custodian. If the client wishes for execution at an execution venue for shares in investment funds, the client must issue a specific instruction to this effect.

The principles do not pertain to primary market transactions but rather to secondary market transactions.

Grundsätze der DekaBank Deutsche Girozentrale für die Auftragsausführung bei Finanzinstrumenten für professionelle Kunden (Best Execution Policy)

1.3. Priority of Client Instructions

The client may instruct the Bank on how and at which execution venue their order should be executed. Such instructions always take precedence over the execution principles described here. This means that the Bank will follow the client's instructions, even if they are not in line with or contradict the principles of order execution. By following the client's instructions, the Bank's obligation to achieve the best possible result is considered fulfilled to the extent of the instruction. In such cases, the principles outlined below do not apply.

If the client places an order to be executed "in the best interest," for example, when the execution of an order due to its volume or market conditions must occur in multiple partial executions and the specification of a single execution venue is not possible, the Bank will, at its discretion, select the execution venue(s) based on the quality criteria outlined here.

1.4. Forwarding of Client Orders (Intermediation)

The Bank reserves the right not to execute the client's order itself but to forward it, in compliance with the execution principles described here, to one or more other financial service providers (intermediaries) for execution.

The selection of intermediaries is primarily based on their execution principles. Additionally, the Bank will consider the following factors when selecting intermediaries:

- Their reputation regarding market expertise
- The expected execution quality,
- Their access to the relevant execution venues
- Their creditworthiness and reliability,
- As well as the costs of utilizing their services

The assessment of reputation is based on market transparency and the experience of our traders. To evaluate execution quality, monitoring is conducted after execution, using available execution reports. Access to relevant execution venues is determined based on the respective publications of the intermediaries. For assessing creditworthiness and reliability, the completion of our KYC (Know Your Customer) process is an important indicator, but the market reputation of the intermediary also plays a significant role.

If, during the evaluation process, including mid-year reviews, the Bank determines that a specific intermediary can no longer ensure the best possible execution, the Bank will redirect orders to another intermediary for execution. Regarding costs, a comparative monitoring is conducted by the trading team. However, due to high competitive pressure, cost differences are relatively minor.

A representative list of intermediaries can be found in the appendix. Even in the case of intermediation, client instructions always take precedence.

1.5. Execution as a Fixed-Price Transaction

In certain product categories, the Bank offers execution as a fixed-price transaction. This means that a purchase agreement is concluded between the client and the Bank for the delivery or acquisition of securities or other financial instruments at a fixed or determinable price. In this case, execution in the aforementioned sense does not occur. The client and the Bank are directly obligated, in accordance with the contractual agreement, to deliver the securities or other financial instruments underlying the contract and to pay the purchase price.

The Bank will ensure that the agreed price, which already includes the Bank's fees and does not incur additional costs for the client (except for taxes), is market-appropriate. A specification of the financial instruments for which the Bank executes fixed-price transactions can be found in Chapter 3.

If execution occurs as part of a fixed-price transaction, it is considered a client instruction.

1.6. Deviating Execution in Individual Cases

If special market conditions or a market disruption necessitate a deviation in execution, the Bank will execute the order in the interest of the client (in accordance with Section 384 of the German Commercial Code, HGB).
If, for technical or organizational reasons, the Bank executes client orders through brokers, even though a direct connection to the relevant exchange exists, the Bank ensures that the client does not suffer any disadvantage as a result of this approach.

1.7. Aggregation of Client Orders (Block Orders)

The Bank reserves the right to aggregate purchase and sale orders of multiple clients within the scope of asset management, provided these involve identical financial instruments and the aggregation does not disadvantage the client. These aggregated orders, known as block orders, are executed in compliance with the principles described here. The purpose of this aggregation is to achieve volume-related advantages in the interest of the client.

1.8. Special Notes on Execution Outside of Trading Venues

The execution of transactions outside of a trading venue generally involves an increased risk of counterparty default. Therefore, such execution is only carried out with the client's consent.

2. Principles of Best Execution for Different Types of Financial Instruments

2.1. Decision Factors in Order Execution

When selecting execution venues, the following factors are considered:

Price of the Financial Instrument:
The price quality of a trading venue is significantly influenced by its liquidity as well as the structure of its price formation process. The pricing model is embedded in the rules of the respective trading venue and determines, for example, whether price determination is based on an auction process or involves a neutral market participant, such as a lead broker (order-driven market), or whether a market maker is involved (quote-driven market). The varying levels of transparency in order books (e.g., partially open order books on Xetra, order books visible only to "specialists" at most floor-based exchanges) can also have a noticeable impact.

As an indicator of price quality, the spreads—i.e., the difference between the highest bid on the demand side and the lowest offer on the supply side—are considered, along with the tradable order sizes and, consequently, market liquidity.

Costs of Order Execution:
These include both external costs and the Bank's own fees. External costs may arise from commissions, brokerage fees, and other charges.

Speed of Order Execution:
This refers to the time span from the placement of an immediately executable order in the market to its final execution. The speed of order execution depends on the liquidity of the trading venue, the underlying market model, the trading hours of the exchange, the maximum execution times fixed in the rulebooks, as well as the performance and stability of the systems used.

Probability of Order Execution:
The probability of executing an order at a market-appropriate price primarily depends on the liquidity of the trading venue. For volatile products, execution speed also plays an important role. Execution chances are further influenced by the existing market model.

Settlement Probability:
This refers to settlement reliability, in other words, the risk of problematic settlement. The involvement of a central counterparty, in particular, increases the probability of successful settlement.

Order Size:
In this context, the liquidity of the execution venue is again an important quality criterion. The more liquid a market is, the higher the probability of executing large orders.

Type of Order:
This refers, for example, to the differentiation between market orders and limit orders or between stop-loss and stop-buy orders. Since these are client specifications, only execution venues capable of handling the requested order types are considered.

Other Relevant Aspects:
This includes organizational quality features such as the structure of trade monitoring, protective mechanisms in the trading venue's rules, mistrade regulations, clearing systems, emergency safeguards, trading hours, as well as the information and transparency services provided by the trading venues.

As the above explanations illustrate, the liquidity of an execution venue plays a central role as a quality criterion when selecting execution venues, in addition to the legally mandated decision factors outlined above. Liquidity not only influences price quality but also affects execution speed and execution probability, particularly for the order sizes typical in transactions with professional clients. Therefore, liquidity must be appropriately considered when striving for the best possible execution of client orders.

There are also interdependencies between the legally mandated decision factors described above that can influence the selection process, making an isolated consideration of factors in some cases impractical. For example, the trading venue with the highest price quality will generally also offer the highest execution probability and speed. The relationship between speed and probability is particularly close. Additionally, many of the factors described here can indirectly impact the total costs of execution.

2.2. Weighting Criteria

The prioritization and weighting of decision factors in the selection process are determined by considering the following criteria:

Client Type or Characteristics:
For the order sizes typical of professional clients, liquidity plays an important role in the selection of the execution venue, in addition to the legally mandated decision factors. As explained above, liquidity not only influences price quality but also affects execution speed and probability, for example, in the execution of block orders. Therefore, liquidity must be duly considered when striving for the best possible execution, especially for professional client orders.

Order Characteristics:
This includes categories such as market orders or limit orders, as well as stop-loss or stop-buy orders.

Characteristics of Financial Instruments:
This takes into account that the appropriate weighting of criteria can only be determined based on the type of relevant financial instrument. Whether the instrument is a stock, bond, or derivative can influence the importance of individual criteria and, consequently, the choice of the execution venue.

Characteristics of Potential Execution Venues:
This refers to functional characteristics such as the market model used or the legal status of the venue. The latter depends on whether the respective execution venue is an exchange (organized market), a Multilateral Trading Facility (MTF), an Organized Trading Facility (OTF), a Systematic Internalizer, a Market Maker, or a Liquidity Provider.

When selecting trading venues that are expected, as a rule, to provide consistently best possible execution in the interest of the client, the aspect of whether the Bank has a direct or indirect connection to the respective trading venue is also considered. A direct connection is avoided if the connection costs would offset the advantage of the regularly more favorable execution venue for the client.

2.3. Selection Process for Order Execution

Orders for financial instruments issued by domestic issuers that are traded on a domestic exchange (organized market), a domestic Multilateral Trading Facility (MTF), a domestic Organized Trading Facility (OTF), by a domestic Systematic Internalizer, a Market

Maker, or a Liquidity Provider are generally executed domestically. Depending on the order, it may be reasonable to use an intermediary and/or a Smart Order Routing System.

For financial instruments issued by foreign issuers that are also traded on a domestic execution venue, the execution of orders for professional clients (including block orders) is generally carried out on the lead exchange (primary trading venue) for the respective financial instrument. A deviation from this occurs only upon the client's instruction or due to temporary price advantages at other execution venues.

The product-specific selection and weighting criteria are presented below for each instrument class.

3. Classification of Product Groups

The following classification of product groups is based on current legal requirements.

3.1. Equities

German Equities:

In commission-based transactions with professional clients, the Bank applies the following prioritization of decision factors for German equities:

1. Price of the financial instrument
2. Speed of order execution
3. Probability of order execution

Deviations from this priority list occur only upon explicit instruction from the client. As a result, in commission-based transactions with professional clients involving German equities, the electronic trading system Xetra is regularly expected to provide consistently best possible execution in the interest of the client. Therefore, these orders (unless otherwise instructed) are executed by the Bank on Xetra.

The high liquidity on Xetra generally results in the highest price quality, the fastest execution, the greatest execution probability, and the lowest execution costs compared to other domestic trading venues for the securities considered here. For domestic regional securities not listed on Xetra, execution is carried out analogously on their home exchange.

For very large orders, it may be reasonable, in the client's interest, to split the order across multiple trading venues.

In individual cases, execution at another execution venue may also be appropriate in the client's interest. In the case of OTC transactions, this is done only with the client's consent.

Foreign Equities:

In principle, the same considerations regarding decision factors apply as for German equities. However, in this case, the settlement probability and the risk of problematic or untimely settlement must also be considered as relevant factors. (In this context, the custody location or depository of the respective security can have a significant influence on the settlement process.) In the still-developing markets of emerging economies (Emerging Markets), additional exchange-organizational quality features, such as the structure of trade monitoring, protective mechanisms in exchange-specific regulations, mistrade rules, etc., can play a relevant role.

Based on these considerations, the following priority order of decision factors is applied when selecting the execution venue:

1. Price of the financial instrument
2. Speed of order execution
3. Probability of order execution

4. Costs of order execution
5. Settlement probability
6. Other aspects (e.g., quality features such as the structure of trade monitoring, exchange-specific protective mechanisms, mistrade rules, etc.)

The importance of the last two criteria tends to increase as the development standard of the relevant trading venues (e.g., in Emerging Markets) decreases. In exceptional cases, these factors may even override the higher-ranked criteria.

Considering this weighting of factors, the lead exchange of the respective security is generally used as the execution venue for foreign equities in transactions with professional clients. This exchange typically offers the greatest liquidity for the respective security and is therefore expected to optimally fulfill the combination of factors mentioned above, even if a domestic listing exists. The lead exchange is, in most cases, but not necessarily, located in the issuer's country of origin.

The costs of order execution for foreign equities are significantly influenced by the type of connection the Bank has to the respective trading venue. A ranking of the possible connection methods can also be established.

The preferred method is direct market access through exchange memberships, such as Euronext, provided that the associated costs, which are indirectly passed on to the client, do not negate the advantage of regularly achieving the best possible execution.

In all other cases, intermediaries are used. The selection of intermediaries follows the procedure described in Chapter 1.4.

In individual cases, execution at another execution venue may be appropriate in the client’s interest. In the case of OTC transactions, this is done only with the client’s consent.

3.2. Bonds and Money Market Instruments:

For this group of financial instruments, fixed-price transactions are customary, meaning the Bank acts as the direct seller or buyer of the securities, and the transaction is carried out at a price agreed upon with the client. This so-called "fixed price" already includes the Bank's transaction fees, so no additional costs are incurred by the client.

The Bank ensures that the order is executed under market-appropriate conditions. By doing so, it fulfills its obligation to achieve the best possible execution. The client’s request to enter into a fixed-price transaction simultaneously constitutes a corresponding instruction from the client.

If the Bank acts as a commission agent for the client, it will execute the order through a trading venue—most often via Bloomberg MTF. The Bloomberg trading venue offers significant liquidity, especially for European bonds, as many brokers in the bond market operate through Bloomberg, and many issuers also maintain market-making activities through Bloomberg.

They operate their products. Traditional exchanges are rarely used in institutional bond trading, and therefore, they typically cannot generate the required liquidity.

Even within the product group of bonds and money market instruments, client instructions always take precedence for all types of execution.

3.3. Exchange-Traded Derivatives

This product group includes exchange-traded options and futures contracts, as well as derivative contracts on indices, individual securities, currencies, interest rates, credits, etc. Many of the product variants included in this category are traded on only one exchange, making a selection process for the execution venue unnecessary.

Derivatives exclusively listed on EUREX are executed on this trading venue. Derivatives listed exclusively on other trading venues are executed through UBS, Zurich.

The use of UBS is based on their "Terms of Business," their "Execution Policy," a list of execution venues used by UBS, a conflict-of-interest policy, as well as a variety of other execution-relevant information and descriptions. Even for exchange-traded derivatives, client instructions always take precedence.

3.4. Structured Derivatives

This category includes warrants and certificates, with the following explanations applying equally to both instruments.

For its own issuances, the Bank offers the client a fixed-price transaction, i.e., an execution price that includes all transaction costs.

Many product variants in this group exhibit leverage effects under certain market conditions, which gives the factors of execution speed and execution probability significantly greater importance compared to other financial instruments. Due to this leverage effect, even minor price fluctuations in the underlying asset can cause significant changes in the value of the respective derivatives. For this reason, it is particularly important for the client to be able to respond quickly to market movements.

Against this background, the following priority order applies to decision factors for third-party issuances for professional clients:

1. Price of the financial instrument
2. Speed and probability of order execution
3. Costs of order execution

The small fee differences between trading venues make the cost factor a secondary evaluation criterion. Settlement reliability and safety-enhancing features of trading venues can be neglected in the market structures analyzed here.

As a result, third-party issuances are generally executed on a domestic trading venue, preferably the Stuttgart Stock Exchange and the Frankfurt Stock Exchange. The same applies to certificates. If the order is so large that the required liquidity is not available on the aforementioned trading venues, it may be necessary or reasonable, in the interest of best possible execution, to buy or sell directly from the respective issuer.

The priority of client instructions is also mandatory for this product group.

3.5. OTC Derivatives

This category includes non-standardized, individual agreements between the Bank and the client, such as OTC swaps, currency forward transactions, and OTC options.

The execution is carried out (as the product group name already implies) OTC, in the form of a fixed-price transaction. No additional costs are incurred by the client. The Bank's transaction fees are already included in the agreed price.

3.6. ETFs

For Exchange Traded Funds (ETFs), i.e., funds specifically designed by the issuing investment company for stock exchange trading and therefore not directly acquired from the investment company, the following decision factors and their weighting (via priority order) are applied for professional clients:

1. Price of the financial instrument
2. Speed of order execution probability of order execution
3. Costs of order execution

Domestically listed Exchange Traded Funds are executed on a domestic trading venue (Xetra or Bloomberg). For Exchange Traded Funds listed abroad, execution is generally carried out via Bloomberg.

Client instructions always take precedence for Exchange Traded Funds as well.

3.7. Other Financial Instruments

The term "other financial instruments" includes subscription rights and ancillary rights. These are most comparable in their execution characteristics to German equities. Although the same priority order of decision factors is applied as for German equities, the weighting of the factors differs by placing greater emphasis on the criteria of execution speed and execution probability:

1. Price of the financial instrument
2. Speed of order execution
3. Probability of order execution
4. Costs of order execution

For professional clients, Xetra or floor trading at the regional home exchange of the issuer has consistently proven to be the best execution venues in the interest of the client, based on the evaluation criteria described above.

Execution via an OTC transaction, i.e., not through an exchange (organized market) or a Multilateral Trading Facility (MTF), is only carried out with the client's consent.

Client instructions always take precedence for the product group "other financial instruments" as well.

3.8. Securities Financing Transactions

Securities financing transactions include repurchase agreements (repos), securities lending transactions, buy/sell-back transactions, sell/buy-back transactions, and Lombard loans.

When executing securities financing transactions, the Bank always acts as a direct counterparty.

4. Review of the Principles

The principles for order execution in financial instruments are reviewed regularly, at least once a year. This regular review ensures consistently high quality of trading venues and secures the execution principles in the interest of the clients.

As part of this review, the effectiveness of the Bank's internal measures to comply with the principles is monitored. The quality of the execution policy itself is evaluated, and it is assessed whether the selected trading venues continue to deliver the best possible results for the client as a rule. In this context, the execution quality reports of the relevant trading venues and execution venues are taken into account.

For third parties involved (intermediaries), the Bank will verify whether they still meet the established selection criteria. This may relate to cost or quality aspects, as well as whether their approach to order processing remains consistent with the Bank's principles.

Additionally, a review is conducted whenever significant changes occur that indicate the ability to achieve the best possible execution of client orders may be impaired.

A significant change is a major event with potential impacts on parameters of best execution, such as costs, speed, probability of execution and settlement, size, type, or any other aspects relevant to the execution of the order.

If significant changes occur in the Bank's execution policy, the Bank will provide the client with the relevant information within a reasonable timeframe. The updated principles for order execution in financial instruments will be published on the website [https://www.deka.de/deka-gruppe/MiFID)

Grundsätze der DekaBank Deutsche Girozentrale für die Auftragsausführung bei Finanzinstrumenten für professionelle Kunden (Best Execution Policy)

Appendix

Trading Venues	Execution Venues and Intermediaries
Bloomberg B.V. (MTF) Europe, Amsterdam	Barclays Bank PLC, Dublin
Börse Stuttgart GmbH, Stuttgart	BNP Paribas Financial Markets S.N.C., Paris
Börse Stuttgart GmbH (Freiverkehr), Stuttgart	BNP Paribas SA, Paris
EUREX AG, Eschborn	Citigroup Global Markets Ltd., Dublin / Frankfurt
Euronext N.V., Amsterdam	Commerzbank AG, Frankfurt
Euronext AG, Brüssel	Deutsche Bank AG, Frankfurt a.M.
Euronext S.A., Paris	DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main
Frankfurter Wertpapierbörse, Frankfurt	Goldman Sachs Bank Europe S.E., Frankfurt
Frankfurter Wertpapierbörse (Freiverkehr), Frankfurt	HSBC Trinkhaus & Burkhardt AG, Düsseldorf
Frankfurter Wertpapierbörse XETRA (Freiverkehr)	Instinet Germany GmbH, Frankfurt
XETRA	J.P. Morgan AG, Frankfurt
	Morgan Stanley Europe S.E., Frankfurt
	Optiver V.O.F., Amsterdam
	Societe Generale SA, Paris
	UBS AG Europe S.E., Frankfurt
	UBS AG, Zürich
	Virtu ITG Europe Limited, Dublin

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