



Best Execution Policy Execution Services

1. Introduction

This Best Execution Policy (hereinafter referred to as “Best Execution Policy” or “Policy”) sets out MAINFIRST BANK AG’s (“MAINFIRST” or “Bank”) approach to providing the best possible result when accepting an order and executing a transaction for Professional Clients as required according to the Markets in Financial Instruments Directive 2014/65/EU, related RTS respective national law and additional guidance by national regulatory bodies (together “MiFID II”). The policy covers also the arrangements taken regarding the Markets in Financial Instruments Regulation 600/2014 (“MiFIR”).

Under MiFID II and MiFIR MAINFIRST will take all sufficient steps to execute such transactions in financial instruments on terms most favorable to clients on a consistent basis (“Best Execution” or “Best Execution obligation”). As a consequence, MAINFIRST monitors on a regular basis not only the execution quality obtained but also the quality and appropriateness of its execution arrangements and policies on an ex ante and ex post basis to identify circumstances under which changes might be appropriate.

2. Scope and Capacity

This Policy sets out the Bank’s principles and general approach for accepting an order and executing a transaction in financial instruments while obtaining the best possible result for clients taking into account considerations relevant to all different stages of the execution process.

The Policy applies to transactions in financial instruments solely for Professional Clients. MAINFIRST does not owe Best Execution to clients classified as Eligible Counterparties, but the Policy also provides details regarding the process of order handling and transaction execution for Eligible Counterparties.

The Policy applies to the following instruments falling under the scope of MiFID II: cash equities (incl. ADRs), equity-like products, cash bonds (government and corporate bonds), convertible bonds and

funds (incl. ETF’s). MAINFIRST does not offer services in derivatives, forex and commodities.

If MAINFIRST executes a transaction this encompasses under MiFID II the following capacities:

- (i) Matched Principal (“MTCH”): a transaction where MAINFIRST interposes itself between the buyer and the seller to the transaction in such a way being never exposed to the market.
Dealing on own account (“DEAL”): a transaction where MAINFIRST is action its proprietary trades or acts on own account with a view to filling client orders.
- (ii) Any other capacity (“AOTC”): all other cases, including where the activity is taking place on an agency basis.

Where we have agreed with you to execute transactions outside trading venues, meaning Over- The-Counter (OTC) or on our own account the trading capacity “DEAL” is used.

3. The Best Execution Obligation

MAINFIRST’s obligation to take all sufficient steps to deliver the best possible result on a consistent basis when executing client transactions applies in relation to all types of financial instruments to the same extent. The Bank considers the following range of factors (“Best Execution Factors”) be important to fulfill its Best Execution as follows:

- (1) Execution price and nature of the order affecting the execution price;
- (2) Size and nature of the transaction
- (3) Likelihood of execution and competition of the transaction
- (4) Speed of transaction execution
- (5) Total transaction costs, including execution costs and implicit cost elements
- (6) Any other factor decisive to match the Best Execution obligation

Details regarding the periodization of Best-Execution factors is located in Appendix A.

The individual importance of the Best Execution factors may vary, when executing client orders. Best Execution therefore applies in a manner that takes into account

the different circumstances associated with the transaction:

- (1) the characteristics of the client, including the categorization of the client as Professional;
- (2) the characteristics of the client order;
- (3) the characteristics of financial instruments that are the subject of that order;
- (4) the characteristics of the execution venues to which that order can be directed;
- (5) the legal and regulatory framework under which the transaction is executed.

MAINFIRST has the necessary procedures and arrangements in place as well as an appropriate valuation system and will routinely take into account external market data and externally verifiable reference prices (where available) to ensure the fairness of the price for its clients' transactions

4. Execution Venues

In order to meet MAINFIRST's obligation to take all sufficient steps to deliver the best possible result on a consistent basis when executing client transactions, the Bank may use the one or more execution venues as appropriate for each asset class/product:

- (1) Regulated markets
- (2) Third party liquidity providers including other investment firms, brokers and market makers (TPL's)
- (3) Multilateral Trading Facilities (MTF's)
- (4) Organized Trading Facilities (OTF's)
- (5) Systematic Internaliser (SI's)
- (6) Own liquidity resources

A list of principal execution venues of the Bank is available on the MAINFIRST website www.mainfirst.com.

If MAINFIRST has no direct access to an execution venue it may pass on the transaction for execution to another third party liquidity provider to fulfill its Best Execution obligation without previous notice to the client. On request the Bank will provide details of the execution arrangement to the

client.

When executing a transaction for the client the venue(s) will be chosen by taking into account the following factors (ranked by importance) in order to obtain the best possible result on a consistent basis.

- (1) Liquidity and price of the venue
- (2) Performance and likelihood of execution
- (3) Settlement risk of the venue
- (4) Credit risk of the venue
- (5) Infrastructure and operational stability of the venue
- (6) Fees and other costs charged by the venue

MAINFIRST will regularly assess the market landscape to determine whether or not there are alternative execution venues. This assessment will be executed across different execution venues by analyzing the above series of metrics.

5. Order Aggregation

Client orders may be combined together with other client orders by MAINFIRST ("Bundling") if such a combination appears advisable for the clients affected. The Bundling may be disadvantageous for the individual transaction regarding single aspects of Best Execution. Therefore the Bank will only bundle if the disadvantage to individual clients is improbable. Clients may receive additional information regarding the execution of such transaction on request.

6. Different Terms of Execution in Particular Cases

If extraordinary market conditions or market interferences should make it necessary to execute a specific order other than in compliance with the Best Execution Policy, MAINFIRST shall choose such alternative execution method while always safeguarding the client's interests.

7. Specific Instructions

Notwithstanding the Best Execution obligation, whenever there is a specific instruction from a client to the order or to a specific aspect of the order, MAINFIRST must execute the transaction in accordance

with that instruction and does not need to apply the Best Execution provisions in relation to those matters that the instruction specifies. However, MAINFIRST will still apply Best Execution requirements to those parts of a client order not covered by the client instruction.

8. Fixed Price Transactions

Fixed price transactions are transactions whereby the client is expressly giving an order at a fixed price (OTC transaction). In this case MAINFIRST provides client order facilitation and/or liquidity provision. All requests received from clients will be treated as request for a quote from the Bank to enter into such a transaction. All intermediate updates the Bank provides before conclusion of the transaction constitute only notices of information. The Best Execution obligation is met when the transaction is executed at the price determined by the client. Other Best Execution factors are only valid to the extent possible under these constraints (see section 7 for further information).

9. Structured Transactions

The Best Execution obligation applies in very limited form to structured or client-tailored or customized off-exchange (OTC) transactions where due to the unique contractual structure entered into between the client and MAINFIRST, it is not possible to provide any comparison with other transactions or instruments. Although Best Execution technically applies, there is little or nothing against which to compare the transaction.

10. Single Venue Transactions

When there is only one possible venue where the order can be executed for MAINFIRST, Best Execution is achieved by execution on that single execution venue.

11. Fees and Charges

For equities (see the Appendix regarding the application of Best Execution by Product), fees and charges, and the methodology for calculating these, are agreed in advance and disclosed to a client. In addition, where foreign exchange is charged, MAINFIRST will charge a separate commission so that

overall charges are transparent.

In quote driven markets such as cash bonds, MAINFIRST, in common with its competitors, does not charge an explicit commission but imposes a mark-up or spread between where it may buy a financial instrument and where it may sell the same instrument. MAINFIRST will ensure that mark-ups and spreads charged on transactions where best execution is owed are reasonable, not excessive and will be within a range that we consider reasonable for the product type, tenor, liquidity and size of the trade.

MAINFIRST will not structure or charge its commission in such a way as to discriminate unfairly between execution venues. Should there be any variance between commission rates for different exchanges, this will reflect the actual difference in the cost to MAINFIRST of executing on those venues in accordance with this policy. MAINFIRST does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue.

12. Unwinding a Position for a Client

If MAINFIRST is required to unwind a position for the client e.g. in case of default under the agreement with MAINFIRST or otherwise, the Best Execution obligations do not apply.

13. Issue or Redemption of Shares in Investment Funds

The issue or redemption of shares in investment funds is not subject to Best Execution obligations. MAINFIRST shall execute any client trading orders linked to a particular venue according to client instructions.

14. Monitoring, Assessment and Review

MAINFIRST monitors, assesses and reviews on an annual basis or ad hoc – in case of material changes

- the effectiveness of its transaction execution arrangements and execution policy for financial instruments in order to identify and, where appropriate, correct any deficiencies and improve the quality of execution service to clients. In particular, it assesses, on a regular basis,

- (1) whether the execution venues included in the policy provide for the best possible result for the client on a consistent basis or whether changes in the execution arrangements are needed. In accordance to RTS 28 Article 3 MAINFIRST will publish a list of the top five execution venues and additional information at least yearly in a machine-readable electronic format on its webpage.
- (2) whether the ranking and weighting of factors determining Best Execution and the selection of execution venues provide for the best possible result for the client on a consistent basis or whether changes to the ranking and weighting of factors or selection of venues are needed.

Clients are notified of any material changes to the Best Execution Policy. Policy updates are posted for client information also on the MAINFIRST website www.mainfirst.com. The Best Execution Policy should be seen in connection to other MAINFIRST policies, e.g. the MAINFIRST Order Handling Policy and MAINFIRST Terms of Business.

15. Roles and Responsibilities

Management is responsible for ensuring compliance with the Best Execution Policy at MAINFIRST. Risk Management is involved by performing supervisory activities including monitoring and executing control procedures. Compliance provides advice and assists with the formulation, implementation, awareness and monitoring of this policy in respect to the overall control framework of MAINFIRST. In case of questions please contact compliance@mainfirst.com.

Frankfurt am Main, 1. April 2019

MAINFIRST BANK AG

APPENDIX

1. Equities, Equity Like Product and Funds

i. *Client directed orders*

MAINFIRST offers access to third party execution venues where the specific instructions for each order are defined by the client. Such orders place reliance on MAINFIRST and the Bank considers that a duty of Best Execution is owed. Best Execution Factors are prioritised as follows:

1. Speed of transaction execution
2. Likelihood of execution and competition of the transaction
3. Total transaction costs, including execution costs and implicit cost elements

The remaining Best Execution Factors – execution price and nature of the order affecting the execution price, size and nature of the transaction and any other factor decisive to match the Best Execution obligation - are - generally given equal ranking.

ii. *Working orders on behalf of clients*

MAINFIRST considers that Best Execution is owed in respect of working orders. However, working orders in relation to cash equities can involve highly prescriptive specific instructions from the client as to how the client requires the transaction to be executed, and this will limit the Bank's duty of Best Execution to only those matters which are not covered by specific instructions (see section 7 for further information). Execution Factors are prioritised for working orders on behalf of clients as follows:

1. Execution Price and nature of the order affecting the execution price
2. Size and nature of the transaction
3. Likelihood of execution and competition of the transaction

The remaining Best Execution Factors – speed of transaction execution, total transaction costs,

including execution costs and implicit cost elements and any other factor decisive to match the Best Execution obligation - are generally given equal ranking.

iii. Risk trades (RFQ)

Best Execution obligations are unlikely to apply where the client has asked us for a quote (RFQ) where MAINFIRST is acting as principal on a risk price transaction. The Bank generally takes the view that in the context of the European Commission's four considerations there is no legitimate reliance being placed on the Bank to meet the relevant Best Execution requirements (see section 3 for further information regarding the Best Execution Obligation).

2. Cash Bonds (Government and Corporate Bonds)

i. Riskless principal trades

MAINFIRST considers that Best Execution is owed in respect of riskless principal trades in cash bonds. Such trades will be subject to fees, commissions and mark-ups. Execution Factors are prioritised for riskless principal trades in cash bonds:

1. Execution Price and nature of the order affecting the execution price
2. Likelihood of execution and competition of the transaction

Generally, the most important execution factor for the client will be the price the relevant financial instrument is executed at. However, in more illiquid markets, the primary execution factors may vary, as such, likelihood of execution may become the primary execution factor. The remaining Execution Factors – size and nature of the transaction, speed of transaction execution, total transaction costs, including execution costs and implicit cost elements and any other factor decisive to match the Best execution obligation - are generally given equal ranking.

ii. Risk trades (RFQ)

Best Execution obligations are unlikely to apply where the client has asked the Bank for a quote (RFQ) where MAINFIRST is acting as principal on a risk price transaction. The Bank generally takes the view that in the context of the European Commission's four considerations there is no legitimate reliance being placed on the Bank to meet the relevant Best Execution requirements (see section 3 for further information regarding the Best Execution Obligation).

3. Convertible Bonds

i. Working orders on behalf of clients

MAINFIRST considers that Best Execution is owed in respect of working orders in convertible bonds. Such trades will be subject to fees, commissions and mark-ups. Execution Factors are prioritised for working orders on behalf of clients:

1. Execution Price and nature of the order affecting the execution price
2. Likelihood of execution and competition of the transaction
3. The remaining Execution Factors – size and nature of the transaction, speed of transaction execution, total transaction costs, including execution costs and implicit cost elements and any other factor decisive to match the Best execution obligation - are generally given equal ranking.

ii. Risk trades (RFQ)

Best Execution obligations are unlikely to apply where the client has asked the Bank for a quote (RFQ) where MAINFIRST is acting as principal on a risk price transaction. The Bank generally takes the view that in the context of the European Commission's four considerations there is no legitimate reliance being placed on the Bank to meet the relevant Best Execution requirements (see section 3 for further information regarding the Best Execution Obligation).