



Wealth & Securities

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# **BEST EXECUTION POLICY**

**(previously POLICY FOR BEST EXECUTION OF ORDERS)**

Approved at the meeting of the Board of Directors of Banque de Patrimoines Privés on December 1, 2021

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## 1. PURPOSE

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The Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 (“MIFID II”), in effect since 3 January 2018 on Markets in Financial Instruments and amending Directive 2011/61/EU and Directive 2002/92/EC, strengthened the rules of good conduct applicable to financial intermediaries.

The aim of this policy (henceforth, the “**Policy**”) is to describe the best execution policy of Banque de Patrimoines Privés S.A. (henceforth “**BPP**” or the “**Bank**”), the obligation of “Best Execution” being one of the pillars of MIFID II.

More specifically the Policy aims at ensuring the Bank implements all sufficient steps to obtain the best possible outcome for its clients considering execution factors as further detailed in the Policy. In any case, when dealing with clients, the Bank shall act honestly, fairly, professionally and in the best interest of its clients.

## 2. SCOPE OF APPLICATION

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### 2.1 Investment services, Financial instruments and clients in scope

In accordance with MIFID II, this Policy is applicable to retail and professional clients regardless of whether they are an elective professional (via opt-up process) or per se professional.

The Policy applies to all investment services rendered by the Bank, as detailed below:

- Reception and transmission of client orders;
- Discretionary portfolio management;

In terms of financial instruments, the Bank distinguishes the following categories:

- Debt instruments (bonds, rate products)
- Exchange-traded instruments (equities, warrants, ETFs);
- Listed Derivatives (listed options on equities and indices)
- Structured finance instruments (debt securities)
- Investment funds
- Currency derivatives (FX Forwards, FX swaps)

### 2.2 Exceptions to the applicability of the Policy

#### Eligible Counterparties:

As set above, eligible counterparties are therefore excluded from the scope of application of this Policy. Nevertheless, in all its relations with eligible counterparties, BPP must act with honesty, impartiality and professionalism, issuing information, which is impartial, clear and not misleading, taking into account the nature of the eligible counterparty and the activities thereof.

#### Specific instruction provided by the client:

When a client gives specific instruction(s) for the execution of an order (a given place of execution, a specific currency...), the order will be executed, as reasonably possible, in accordance with the specific instruction(s) provided by the client.

In case of client specific restrictions, best execution as defined in this Policy may only be delivered within those constraints.

The Bank will keep a record of the instructions issued by its clients as proof that the order has been handled in line with said instructions, as a result of which it was not possible to apply the protections established in this Policy.

Under no circumstances the Bank will encourage its clients to give specific instructions for execution of their orders when said instructions could prevent it obtaining the best result possible for the client.

#### Market conditions:

Where an order has an impact on the market price, it being due to its size and/or the low liquidity of the financial instruments, the Bank will consider it to be a care order to be processed in the best interests of the Client and the market. The usual best execution rules will not apply in this specific case.

#### Other specific situations:

Orders are not considered to be orders executed on clients' behalf when:

- Said orders only serve to specify prices at which the Bank would be prepared to buy or sell a financial instrument.
- The client contacts the Bank to request a price.
- The Bank negotiates the terms of a transaction in which the Bank acts as principal on its own behalf (i.e. operations between the Entity and a third party who is not a retail or professional client).

## 3. PROCESSING OF ORDERS

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### 3.1 Types of orders allowed

BPP accepts the following types of order:

- *Market order* (ordinary): order at market conditions without prior price indication
- *Limit order*: price condition order to enter a trade, maximum price for a buy order, minimum price for a sell order.  
BPP shall take the necessary measures to execute as quickly as possible client limit orders with respect to shares traded on a regulated market, or securities traded in a trading venue which are not executed immediately under existing market conditions.
- *Stop loss order*: order to buy or sell a financial instrument at the next available price once it reaches a certain predefined price.
- *Stop-limit order*: A stop limit order is an order to buy or sell a financial product that combines the features of a stop order and a limit order. Once the stop price is reached, a stop-limit order becomes a limit order that will be executed at a specified price (or better)

Orders issued by the client will be valid for the period indicated provided this complies with the rules established for each regulated market.

The Bank assumes a client order has been accepted by BPP when the signed order (issued in written format, by telephone or in digital format) is received by the manager appointed by the client. Once the order is received, the Bank will endorse the order, clearly showing the date and place the order was received and will start the process of transmitting it to the execution venue.

## 3.2 Order Handling

### 3.2.1 General considerations

When the Bank carries out client orders, it must ensure that orders are:

- Transmitted or executed promptly;
- Accurately recorded and allocated; and
- Executed sequentially unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise.

### 3.2.2 Aggregation of orders

The Bank may group orders from a client with orders from other client(s) provided that the Bank reasonably presumes that such aggregation will not have an adverse effect on any of the clients whose orders have been aggregated.

The Bank may combine clients' orders only if the following conditions are met:

- It is unlikely that aggregating the orders will have an adverse effect on any of the clients whose orders have been aggregated;
- Clients are advised that order aggregation may have an adverse effect on them;
- The distribution and allocation of orders or aggregated operations is carried out fairly, dividing operations into as many blocks as necessary to guarantee the same average price for each client.

## 3.3 Transmission or execution of orders

### 3.3.1 Transmission of orders

In case of transmission of orders to a broker approved by the Bank, as disclosed in Appendix II, the receiving broker will execute the order in accordance with its own Execution Policy and contractual requirements signed between the Bank and the broker where the case may be.

### 3.3.2 Execution of orders

BPP is not a member of any market for the financial instruments it handles, whether on clients' or its own behalf. It therefore receives clients' orders and transmits them to third parties for execution.

Execution may only take place on approved venues or with brokers approved by the Bank, as disclosed in Appendix II.

Orders may be executed at different execution venues:

- Regulated markets (RM);
- Multilateral Trading Facilities (MTF);
- Organised Trading Facilities (OTF);
- Systematic Internalisers (SI);

The Bank has a direct access to markets (DMA) through Bloomberg. When using DMA, the Bank can get access to the Trading Venues and directly controls the execution rather than passing the Order over to intermediaries for execution.

To achieve the best results for the orders received, purchase or sale of financial instruments may be as well executed through Bloomberg outside Regulated Markets or on other Trading Venues (orders regarding OTC Instruments).

In the case of specific operations (e.g., OTC, Forex, public debt), the Entity contracts the operations directly with the corresponding eligible counterparties.

#### Partial execution:

Also, orders can be executed either totally or partially at one or more execution venues and/or at different times of day. Indeed, BPP may, at its own initiative, execute the order in several tranches and/or over several days.

In case of partial execution of grouped orders, the distribution and allocation of orders or aggregated operations is carried out equitably, dividing operations into as many blocks as necessary to guarantee the same average price for each client.

In practice, BPP may partially execute client orders in cases such as:

- On client's express instructions;
- When the Bank deems that the partial execution of the order is in the best interest of the client(s);
- For market reasons such as lack of liquidity of the instrument, when partial execution is required by the market, and the decision is outside the Bank's hands.

Where BPP has difficulties executing a client order, it will contact the client. It will also contact the client if it declines to execute an operation or carry out any other instruction that could affect the normal operation, transparency, or rhythm of the market

All orders received for the purchase or sale of financial instruments instructed on the Client's behalf are channelled whenever possible through Crédit Andorrà through Avaloq or, as a backup solution, through BLOOMBERG Instant Messenger.

### 3.4 Settlement

The order process is finalized when the order is settled. Until settlement, the execution is at risk. Therefore, the ability and likelihood of due settlement is a factor for the Bank in achieving the best execution possible.

## 4. SELECTION OF VENUES AND BROKERS

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### 4.1 Execution factors and criteria

Best execution consists of ensuring that the Bank has taken all sufficient steps to obtain the most favourable terms possible for our customers in executing their orders, taking the following Execution factors into account:

- **Price:** referring to the final price of the financial instrument, excluding the Bank's execution fees.
- **Costs:** these pertain to commissions, costs and fees that are charged for executing the client's order, including clearing / settlement costs and Bank's own remuneration.
- **Speed:** referring to the time necessary to execute the order. The Bank generally executes the order at the speed which should ensure a balance between creating a market impact and timely handling.

- **Likelihood of execution:** this is the probability that the Bank is able to execute the customer's order, or at least a significant proportion of the order. The importance of this factor increases when access to liquidity for the instrument is limited.
- **Likelihood of settlement:** As a general rule, the likelihood of settlement is not a significant factor in the equity markets. In some situations, however, the likelihood of settlement may be a more significant factor than price.
- **Size of the order:** the size of the customer's order may be a significant factor for non-standard transactions. Large-volume transactions may have a negative impact on the price of financial instruments when executed directly as one trade in a given execution venue. Therefore, for a large order, BPP may consider the likelihood of execution and the likelihood of settlement to be key execution factors.
- **Nature of the order:** the nature of the order or specific instructions may impact its execution, as further detailed in section 2.3.
- These may also include any other factor relevant to order execution. While the price, costs, size, speed and likelihood are generally decisive factors for obtaining the best result, other circumstances may appear to be key factors for the execution of orders.

The weighting of each execution factor is determined according to the following Execution Criteria:

- The nature of the client, including client classification;
- The characteristics of the client order;
- The characteristics of the financial instruments to which the order refers;
- The characteristics of the brokers and/or execution venues to which the order may be directed.

When the Bank executes Orders on behalf of retail Clients, the Bank will determine the best result based on the total consideration, comprising the price of the financial instrument and the execution costs, including all expenses contracted by the client, execution venue charges, clearing and settlement fees and other fees paid to third parties involved in the execution of the order.

To determine the best result, as defined above, if there is more than one venue competent to execute an order in respect of a financial instrument, BPP will compare the results that the client would obtain executing the order in each suitable venue, taking into account each venue's commissions and costs.

The decision to execute a given order via a broker or directly on a venue is subject to the nature of the order.

More details regarding how an order will be executed by the Bank broken down by type of financial instrument is provided in Appendix I.

## 4.2 Execution venue

The selection of the execution venue depends on various parameters such as the type of financial instrument, the order execution service offered in relation to the type of financial instrument and execution factors as described in section 4.1 above.

The Bank will take reasonable care not to discriminate between execution venues, to select them on the basis of the Execution Factors of the relevant Order and to identify how to access them when the Execution Criteria require the use of Financial Intermediaries.

### **4.3 Selection of brokers process for transmission**

The Bank places significant reliance on its approved brokers in executing its obligations to take all reasonable steps to obtain the best possible result for the execution of its client orders. Best execution thus takes the form of best selection. That is why a process including criteria has been set up for the selection and monitoring of brokers.

The Bank directs most of the client orders for execution through approved brokers, which may include related entities of the Credit Andorrà Group.

The list of approved brokers is disclosed in Appendix II of the Policy.

The Bank selects counterparties it works with based on qualitative and quantitative criteria including among others their service level and soundness such as reputation, financial solidity and access to primary and/or secondary markets or consistent and reliable best execution results.

Counterparty selection is undertaken with reference to the following process:

- Counterparty must be approved by the Credit Andorrà Group and present a reasonable credit risk for the Bank;
- Counterparty must be approved by the Bank and more specifically by the Best Execution & Brokers Monitoring Committee.

The counterparties selected are assessed prior to the onboarding and regularly monitored by the hereabove mentioned special-purposes committee, based on qualitative and quantitative criteria.

Where a given order, due to the specific nature of the transaction or the security in question, may not be executed by an authorised market member/counterparty, the Bank may call on a market member/counterparty of its choosing to facilitate the order's execution.

### **4.4 Execution of orders outside a trading venue**

Where the Bank executes an order outside of a trading venue (OTC), it shall obtain, where appropriate or required by law, the prior consent of the client to do so.

Such transactions may be subject to increased counterparty risk and settlement risk, as they are not covered by the clearing and settlement rules of a trading venue and central counterparty.

Regarding financial instruments subject to trading requirements under MIFID, the Bank will ensure orders are not executed outside a trading venue.

When dealing in derivatives, the Bank will resort to approved brokers where an ISDA agreement is in place.

### **4.5 Client consent**

According to the General Terms and Conditions of the Bank, each order passed by the Bank on behalf of a client implies his/her implicit consent to the Policy.

Furthermore, according to the General Terms and Conditions of the Bank, the client expressly authorises the Bank to execute operations outside regulated markets or MTFs, including instruments admitted on regulated markets or the MTF.

## 5. INFORMATION TO CLIENTS RELATED TO BEST EXECUTION

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Clients are informed of this “Best Execution” policy and any amendments thereto, as published on the website of the Bank under the MIFID section. Best Execution obligations should be considered as an obligation of means and not a performance obligation for each individual transaction.

When a Client makes reasonable and proportionate requests to the Bank for information about the Policy, about the arrangements taken by the Bank to execute orders in compliance with the Policy and about how the Policy is reviewed, the Bank shall answer clearly and within a reasonable time frame.

In addition, the Bank is required to inform the client of any major difficulties that may potentially arise when clients’ orders are placed for execution.

Last and in accordance with the obligations to provide information, as required by MiFID II, the Bank shall publish reports to enable the public and investors to evaluate the quality of the Bank’s execution practices. The Bank will publish on a yearly basis:

- a report detailing the five main execution venues, with which the bank placed or transmitted client’s orders;
- a report detailing the five main financial intermediaries it may have called upon in executing orders;
- a quality of execution report aiming at providing investors with a summary of the analysis and conclusions BPP draws from the detailed monitoring of the quality of execution obtained on the execution venues where clients orders were executed in the previous year.

These reports will be made available in the MIFID section of Bank’s website.

## 6. UPDATE OF THE POLICY

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The Bank undertakes to review the content of the Policy annually. When doing so, all terms of the Policy will be reviewed and, where necessary, amended.

Any event, and in particular a change in legislation, regulations or standards of the market, or in market conditions, which constitutes a substantial development likely to affect the application of the Policy, will also be reviewed.

The Policy is published on the website of the Bank under its MIFID section, together with a link to the data on the top five execution venues, top five brokers and on the quality of execution.

## 7. LEGAL REFERENCES\*

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Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments
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Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive
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Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution
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Law of 30 May 2018 on markets in financial instruments
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\*non exhaustive

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## **APPENDIX I – Execution of orders per type of asset**

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This appendix provides further details per asset classes regarding the application of the best execution requirements.

### **DEBT INSTRUMENTS: Fixed Income – Interest Rate products**

Main execution factors considered by the Bank:

- Final price plus execution costs
- Size of transaction and market impact
- Likelihood of execution and settlement
- Speed
- Other factors

Processing:

The pricing and execution are handled manually based on available levels quoted on Bloomberg MTF by Banks BPP possesses trading limits with. A quote request is sent out to the counterparties or brokers for the requested order size. When dealing in illiquid market conditions, the trading desk will inform the account manager and ask for approval to execute at the first tradable price.

Limit orders are placed either on a regulated market or with a Broker through an electronic trading platform.

### **EXCHANGE TRADED INSTRUMENTS: equities, warrants, exchange traded funds (etf)**

Main execution factors considered by the Bank:

- Final price plus execution costs
- Likelihood of execution
- Speed
- Size of transaction and market impact
- Other factors

Processing: The Bank routes the orders to the brokers through automated and secured connections. Credit Andorra, our main broker, is privileged because of an existing full STP.

It allows BPP to have access to better prices and additional liquidity, maximizing the likelihood of execution and reducing the execution costs.

### **LISTED DERIVATIVES: listed options on equities and indices**

The main execution factor considered by the Bank is the final price plus execution costs.

Processing: Derivatives orders are considered as “execution instruction with specification”, for which the customer defines himself the execution terms.

The Bank routes the orders to the brokers through automated and secured connections. Credit Andorra, our main broker, is privileged because of an existing full stp.

It allows BPP to have access to better prices and additional liquidity, maximizing the likelihood of execution.

### **STRUCTURED PRODUCTS: debt securities**

Main execution factors considered by the Bank:

- Final price plus execution costs availability
- Speed and probability of order execution in low liquidity environment

Processing:

Whenever a structured product is tradable on a regulated market, the order is preferably transmitted to our main broker, Credit Andorra, who takes care of the order placing.

If the product is not tradable on a regulated market, the order is forwarded to a broker or market maker, possibly the product issuer.

## **INVESTMENT FUNDS subscription, redemption, switch**

Main execution factors considered by the Bank:

- Execution availability through a Platform or direct through a TA
- Speed of product opening
- Cut-off times

Processing: BPP transmits the Fund orders preferably through various order centralizer platforms.

If the requested fund is not available on the platforms, the order is transmitted directly to the Transfer Agent chosen by the promoter.

Furthermore, the transmission of the order may be delayed if the fund is not available in the Bank's database or, if the establishment of a new trading relationship is required.

## **CURRENCY DERIVATIVES: fx forwards, fx swaps**

Main execution factors considered by the Bank:

- Price
- Speed
- Trading limits
- Liquidity and volatility

Processing: BPP executes client orders against its own account. For Foreign Exchange Spot Trades, Speed of execution is highly favoured in this low spread pricing environment.

For Foreign Exchange Forwards and Swaps, fast pricing must be coupled with the available trading counterparty limits, previously approved by the management.

## APPENDIX II – Execution venues and brokers used by BPP

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This appendix provides further details per asset classes regarding the venues primarily used by BPP.

### **DEBT INSTRUMENTS:**

The main intermediary used by the Bank are:

- Credit Andorra
- Banco Alcala
- Banca Sella
- Beta Capital
- Banca Zarattini Lugano
- Quintet Luxembourg
- Tradition Paris
- Bond Partners Lausanne

### **EXCHANGE TRADED INSTRUMENTS:**

The main intermediary used by the Bank are:

- Credit Andorra
- Altura Madrid
- Quintet Luxembourg

### **LISTED DERIVATIVES:**

The main intermediary used by the Bank are:

- Credit Andorra
- Altura Madrid

### **STRUCTURED PRODUCTS:**

The main intermediary used by the Bank are:

- Credit Andora
- Quintet Luxembourg
- Bond Partners Lausanne
- BNPP Paris
- EXANE Paris

### **INVESTMENT FUNDS:**

The main intermediary used by the Bank are:

- Clearstream Luxembourg
- Allfunds Luxembourg
- BPP Transfer Agent Luxembourg

### **FX CURRENCY DERIVATIVES:**

The main intermediary used by the Bank are:

- Credit Andorra
- Credit Agricole Paris
- BBV Madrid
- KBC Brussels