

# **BEST EXECUTION AND CLIENT ORDER HANDLING POLICY FOR RETAIL AND PROFESSIONAL CLIENTS**

## Contents

<b>1. Introduction to Best Execution Policy</b> .....	3
<b>1.1 Introduction</b> .....	3
<b>2. Scope of the Policy</b> .....	3
<b>2.1 Scope of services and products</b> .....	3
<b>2.2 Clients</b> .....	4
<b>2.3 How we determine whether Best Execution is owed to a client</b> .....	4
<b>(a) Retail Clients</b> .....	4
<b>2.4 Legitimate Reliance</b> .....	4
<b>2.7 Specific instructions</b> .....	5
<b>2.8 Direct Electronic Access (“DEA”)</b> .....	5
<b>3. How we provide Best Execution</b> .....	5
<b>3.1 Execution factors</b> .....	5
<b>3.2 Execution criteria</b> .....	6
<b>4. CLIENT ORDER HANDLING</b> .....	6
<b>4.1 General principles</b> .....	6
<b>4.2 Restrictions</b> .....	7
<b>4.3 Execution costs</b> .....	7
<b>4.4 Inducements</b> .....	7
<b>5. Execution Venues</b> .....	7
<b>6. Executing orders outside a trading venue</b> .....	8
<b>7. Trading obligations in derivatives</b> .....	8
<b>8. Exemption from best execution requirements</b> .....	8
<b>9. Monitoring</b> .....	9
<b>10. Public Reporting</b> .....	9
Annex 1-List of the Financial Instruments subject to this Policy.....	10
Annex 2-GLOSSARY.....	11

## **1. Introduction to Best Execution Policy**

### **1.1 Introduction**

BRD Best Execution Policy is published to provide clients with information on the arrangements implemented by the bank to manage the execution of client orders and to ensure their best execution, in accordance with European regulation known as MiFIDII (Directive 2014/65 / EU - MIFIDII and Regulation 2014/600 / EU - MIFIR, together with the set of delegated normative acts).

The transposition of MIFID II into the national legislation was made by Law no. 126/2018 on the markets of financial instruments (hereinafter "Law 126/2018"), as well as through a set of regulations issued by the two national authorities with responsibilities in implementing and supervising the perimeter covered by the European regulatory framework, respectively the National Bank of Romania and the Financial Supervisory Authority

### **1.2 What is Best Execution?**

MiFID II requires us to take all sufficient steps to obtain the best possible result for professional clients (**Professional Clients**) and retail clients (**Retail Clients**), when executing orders (or receiving and transmitting orders to a third party), on their behalf, in respect of financial instruments (as defined by Section C, Annex 1 by Law 126/2018, (**Financial Instruments, Best Execution**), taking into account execution factors such as price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order (**Execution Factors**). Best Execution does not mean that we can guarantee that the best price will be achieved for every single client order. However, we will look to ensure that we are acting, to the extent that it is possible, in the best interests of our clients.

### **1.3 Our overriding duty**

We have an overriding duty to act honestly, fairly and professionally, in accordance with the best interests of our clients. We will always endeavor to act in the best interests of our clients, irrespective of whether the activities and/or products are technically outside of the Best Execution regime.

We do not owe you any fiduciary responsibilities because of the matters set out in this Policy, over and above the specific regulatory obligations placed upon us or as contractually agreed with you.

### **1.4 Updates to the Policy**

This Policy may be updated from time to time and shall be reviewed on an annual basis or upon any material change in our execution arrangements. A material change means a significant event that may affect the Execution Factors.

The current version of the Policy is available on our website: <https://www.brd.ro/en/financial-markets/currency-and-monetary-market/regulatory-information/mifid-ii>.

## **2. Scope of the Policy**

### **2.1 Scope of services and products**

This Policy will apply when we provide the following investment services (**Services**):

- (a) executing orders on behalf of clients; and
- (b) receiving and transmitting client orders to third parties for execution.

This Policy will apply in respect of the financial instruments listed in Annex 1.

This Policy will apply to securities financing transactions (**SFTs**) in so far as they relate to Financial Instruments.

## 2.2 Clients

The Policy applies to transactions executed with both Retail and Professional Clients.

This Policy does not apply when we provide Services to Eligible Counterparties.

Definition of each client category in accordance with Law 126/2018 is presented in Annex 2.

## 2.3 How we determine whether Best Execution is owed to a client

### (a) Retail Clients

We consider that we always owe Best Execution to **Retail Clients**.

### (b) Professional Clients

We will assume that we are acting on behalf of a Professional Client and, as such, owe Best Execution:

- (i) when we receive an order from a Professional Client and we execute that order on a riskless principal basis, acting as the agent of the Professional Client;
- (ii) when entering into a transaction with a Professional Client on a principal basis, with the exception of riskless principal, to those Professional Clients who legitimately rely on us to protect their interests (**Legitimate Reliance**).

## 2.4 Legitimate Reliance

The following considerations will be taken into account on a cumulative basis when determining whether a Professional Client place Legitimate Reliance on us:

- (a) **whether we or the Professional Client initiates the transaction** – where the Professional Client initiates the transaction, this suggests that it is less likely that the Professional Client will be placing reliance on us;
- (b) **shop around** – where market practice suggests that the client takes responsibility for the pricing and other elements of the transaction and the market practice is to obtain quotes from various sources, it is less likely that the Professional Client will be placing reliance on us;
- (c) **relative levels of transparency within a market** – if we have ready access to prices in the market in which we operate and the Professional Client does not, it is more likely that the Professional Client will be placing reliance on us; and
- (d) **information provided by us and the terms of our agreements with the client** – where our arrangements and agreements with the Professional Client (such as and this Policy) state that we will not provide Best Execution, it is less likely that the Professional Client will be placing reliance on us.

## 2.5 Quote-driven activity

Typically, in respect of our quote driven activity, we assume that there is no Legitimate Reliance placed on us by Professional Clients and, as such, we do not owe Best Execution. We may choose to make

markets in instruments by quoting prices at which we are prepared to deal with the Professional Client. The prices quoted by us will be our risk assumption prices and may be different to the rest of the market (e.g. on a regulated market (**RM**) or multilateral trading facility (**MTF**)). It will be up to the client to determine whether they wish to accept the price. If a Professional Client accepts our price, we will enter into the transaction on a principal basis. If a client accepts a quote, once the quote has expired, we have the right to accept the trade on the basis that the client wishes to trade at that level, but we may also reject it on the basis that the quote has expired.

## **2.6 Riskless principal and agency execution**

Riskless principal execution is where we receive an order from a client and we execute that order with the market on a back-to-back principal basis, such that we are counterparty to both the client and the market but we are never exposed to market risk throughout the execution of the transaction; both sides are executed simultaneously, and the transaction is concluded at a price where we make no profit or loss, other than a previously disclosed commission, fee or charge for the transaction.

Agency execution is where we receive an order from a client and directly execute that order with the market for and on behalf of the client (without being counterparty to the transaction).

## **2.7 Specific instructions**

In case the client delivers specific instructions regarding the execution of an order, the Bank will execute the client's order according to the instructions, except for the case when the client is informed that the Bank cannot conclude a transaction in compliance with the client's order. In case the specific instructions are related to a part of the order, we shall apply this policy to the other elements of the order. Nevertheless, the Bank warns the client that specific instructions may prevent us from taking the steps designed and implemented in this Policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those specific instructions.

## **2.8 Direct Electronic Access ("DEA")**

DEA represents the arrangement where BRD - Groupe Société Générale S.A. allows a client to use its trading ID to electronically transmit orders related to a Financial Instrument to a trading platform.

When the client uses DEA service, orders placed through DEA will constitute a specific instruction and BRD will not provide best execution for these orders.

# **3. How we provide Best Execution**

## **3.1 Execution factors**

The best result possible for execution must be assessed according to the following factors:

- price of the Financial Instrument
- costs payable by the client as a result of execution;
- speed of execution;
- likelihood of execution;
- size and nature of the order;
- liquidity available on the market;
- risks relevant to the execution;
- nature of the market for the Financial Instrument, and

- any other consideration deemed relevant to the execution of the order.

### 3.2 Execution criteria

#### a) General

In order to determine the relative importance of the Execution Factors, we take into account the characteristics of:

- the client, including the categorization of the client as Retail or Professional;
- the client order;
- the Financial Instruments that are the subject of the client order;
- the Execution Venues to which the client order can be directed;
- any other criteria that we consider relevant.

#### b) Retail Clients

**For Retail Clients** the most important factor will be the total price of the Financial Instrument (including the cost of execution) unless different instructions have been received from the client.

Our provision of Best Execution for Retail clients will be determined primarily in terms of total consideration, which is the sum of the price of the relevant Financial Instrument and execution costs (Total Consideration). Total Consideration includes all expenses incurred which are directly related to the execution of the order (such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order).

#### c) Professional Clients

For **Professional Clients** we generally consider the price as the most significant Execution Factor in respect of the execution of a client's order. However, on the basis of the general characteristics, as stated in Chapter 3.2.a), there may be circumstances where we consider other Execution Factors to be as important, if not more important, than the price.

## 4. CLIENT ORDER HANDLING

### 4.1 General principles

When we execute an order on behalf of a client, we will ensure that we apply the following general principles:

- that the execution of the order is promptly and accurately recorded and allocated;
- where we receive comparable orders, we will carry these out sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impractical, or the interests of the client require otherwise;
- ensure the correct execution of orders according to the client instructions
- we will inform Retail Clients about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty. We will similarly inform Professional Clients on a best effort basis;

- where we are responsible for overseeing or arranging the settlement of an executed order, we shall take all reasonable steps to ensure that any client Financial Instruments or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client; and
- information in respect of pending client orders will be treated as confidential, to the extent permissible by law, and we will take all reasonable steps to prevent the misuse of such information. Further details in respect of the confidentiality procedures which we have implemented are provided in the summary “Conflicts of Interest Policy” which is available on: <https://www.brd.ro/files/pdf/Conflicte%20de%20interese.pdf>.

## 4.2 Restrictions

Where we are subject to internal trading restrictions, it may not be possible to accept your order and you will be notified of this fact at the time of order receipt.

## 4.3 Execution costs

When we provide services, we may charge the client a fee, commission, mark up or spread applicable to the execution price.

## 4.4 Inducements

We will not receive any monetary or non-monetary benefits from third parties which are not in compliance with the applicable rules.

## 5. Execution Venues

Execution venues means: Regulated Markets (RMs), Multilateral Trading Facilities (MTFs), Organized Trading Facilities (OTFs), Systematic Internalisers (SIs), market makers and other liquidity providers (together **Execution Venues**). RMs, MTFs and OTFs are referred to as **Trading Venues**.

A list of Execution Venues on which we place significant reliance in meeting our Best Execution obligations (according to Asset Class, client classification can be found at: <https://www.brd.ro/en/financial-markets/currency-and-monetary-market/regulatory-information/mifid-ii>, section Execution of Client's Orders- List of Execution Venues made available by BRD - Groupe Societe Generale S.A.

The list may be amended from time to time.

Also, BRD can execute the client orders as an execution venue in its own right, as follows:

- BRD is the counterparty of its clients when they conclude transactions with financial instruments such as FX Derivatives, Interest Rates Derivatives, Bonds.
- The client orders regarding financial instruments listed on several Regulated Markets that do not include specific instructions will be executed on the main market of that financial instrument (i.e. for shares listed on multiple stock exchanges).

- To the extent BRD has discretion over the choice of one execution venue over another, the selection of the execution venue will be made based on which venue (or venues) provide for the best overall result for the client.

## 6. Executing orders outside a trading venue

In providing Best Execution on financial products admitted to trading on a Trading Venue, we may, when considering the Execution Factors, decide to execute a client order outside a Trading Venue. Execution of orders outside a Trading Venue may imply some risks such as the counterparty risks. We will only execute a client order outside a Trading Venue if that client has provided their prior express consent in the form of a general agreement and we continue to act in the best interests of the client by doing so.

## 7. Trading obligations in derivatives

Currently BRD is exempted from the clearing obligation for the derivatives transactions concluded with Societe Generale SA, according to the exemption from clearing granted by NBR.

In case BRD will trade with other financial counterparties or with non financial counterparties transactions not covered by the transitional provisions in EMIR, transactions with derivatives that have been declared subject to the trading obligation in accordance with the procedure set out in Article 32 MiFIR and listed in the register referred to in Article 34 MiFIR, will have to be concluded only on Regulated Markets, MTFs, OTFs or Equivalent Third-country Trading Venues.

## 8. Exemption from best execution requirements

BRD does not apply best execution policy requirements in accordance with Law 126/2018 in the following cases:

- if the client has provided Specific Instructions;
- if the client uses DEA (Direct Electronic Access);
- in case of **Professional Clients** which meet the “four-fold legitimate reliance test, as listed below:
  - When a Professional Client requests us to provide a quote to them and the transaction is initiated by the client, when this suggests that it is unlikely that the client legitimately relies on us;
  - Comparison practices (shop around): when market practice dictates that the client assumes responsibility for the pricing and other aspects of the transaction and involves the client obtaining prices from a variety of sources, it is unlikely that the client legitimately relies on us.
  - The relative levels of transparency within a market: if we have ready access to prices in the market in which we operate and the client does not, it is more likely that the client will be placing reliance on us; however, if the client’s and our access to prices are more or less equivalent, the client is unlikely to place reliance on us; and



- The information provided by us and the terms of our agreements with the client: where our agreements and arrangements with the client (such as this Policy) state that we will not provide Best Execution, it is less likely that the Professional Client will be placing reliance on us.

## 9. Monitoring

For all transactions / orders with Financial Instruments as detailed in Annex 1, BRD will monitor the continued effectiveness of its execution arrangements in general and in accordance with this Policy.

For orders in financial instruments executed on behalf of clients on execution venues, post trade monitoring process will be conducted to evidence the effectiveness of BRD's execution arrangements. This analysis will consider the result achieved for clients in accordance with various benchmarking tools that assess trade execution for the client against the liquidity and pricing levels available on relevant markets at the time of the order and throughout the duration of the order.

In order to check the fairness of price of transactions executed on an RFQ (Request for Quote) basis, BRD will benchmark/monitor the proposed price against external or internal reference prices. Wherever possible, we will use external prices, from trading venues, brokers, etc., to compare BRD's price against market prices.

Where external data is unavailable or limited in scope or quality, internal reference price data may be used.

If potential deficiencies are detected in our arrangements, we will take steps to ensure that these will be remedied in a timely manner.

## 10. Public Reporting

BRD will publish on its website the annual reports that identify the venues used for execution of the client orders and information on the quality of execution fulfilled through these venues.

The public reporting will include, for each category of Financial Instruments:

- a) the top five execution venues and
- b) the quality of execution of transactions.

The reports mentioned above can be consulted on our website: <https://www.brd.ro/en/financial-markets/currency-and-monetary-market/regulatory-information/mifid-ii>.

## **Annex 1- List of the Financial Instruments subject to this Policy**

(source: Annex I of the MiFID II Regulation):

The list of financial instruments that fall within the scope affected by the best execution requirements:

1. Securities.
2. Money market instruments.
3. Undertaking for Collective Investment units.
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivative instruments, financial indices or financial indicators which may be settled physically or in cash.
5. Options, futures, swaps, forwards and any other derivative contracts related to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event.
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, an MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled.
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk.
9. Financial contracts for differences.
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF
11. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

## **Annex 2-GLOSSARY**

**ASF** - The Financial Supervisory Authority

**NBR** - The National Bank of Romania

**Best Execution** - An obligation under Article 91 of Law 126/2018 that requires BRD - Groupe Société Générale S.A. to take sufficient steps to obtain the best possible result for Professional and Retail Clients when executing orders on their behalf in respect of Financial Instruments.

**DEA** - Direct electronic access, which is an arrangement where BRD - Groupe Société Générale S.A. allows a client to use its trading ID to electronically transmit orders related to a Financial Instrument to a trading platform.

**Derivatives Trading Obligation** - The obligation under Article 28 MiFIR.

**Eligible Counterparties** - A client that has been classified as an eligible counterparty in accordance with Article 102 (3) of Law 126/2018

**Execution Factors** - The factors that BRD - Groupe Société Générale S.A. will take into account in order to obtain Best Execution for a client

**Execution Venue** - RMs, OTFs, MTFs, SIs, market makers, other liquidity providers and entities in third countries that perform a similar function.

**Financial Instruments** - The Financial Instruments listed in Section C Annex 1 of Law 126/2018 .

**Legitimate Reliance** - When BRD - Groupe Société Générale S.A. enters into a transaction with a Professional Client who legitimately relies on BRD - Groupe Société Générale S.A. to protect their interests.

**MiFID II** - Markets in Financial Instruments Directive 2014/65/EU and implementing measures as transposed into national laws and regulations.

**MiFIR** - Markets in Financial Instruments Regulation (EU) No 600/2014.

**MTF** - Multilateral trading facility as defined in Article 3 (1) (68) of Law 126/2018.

**OTC** - Transactions entered into outside the rules of a Trading Venue or third country trading venue.

**OTF** - Organised trading facility as defined in Article 3(1) (69) of Law 126/2018.

**Policy** - This Best Execution and Client Order Execution Policy.

**Professional Client** - A client that meets the criteria laid out in Annex 2 of Law 126/2018.

**Retail Client** - All clients that are not Professional Clients, as defined in Article 3 (1) (10) of Law 126/2018.

**RM** - A regulated market as defined in Article 3 (1) (60) of Law 126/2018.

**SI** - Systematic Internaliser as defined in Article 3 (1) (47) of Law 126/2018

**SFT** - Means securities financing transactions as defined in Article 3(11) of Regulation (EU) 2015/2365.

**Specific Instruction** – according to the definition in section 2.7 of this policy, when BRD - Groupe Société Générale S.A. receives a specific instruction from a client as to how to execute the order (or a particular aspect of the order) and we accept the specific instruction.