



Terms of Business

Appendix C

Order Execution Policy

1. Definition of Terms

Ancillary Service	means any of the services listed in Section B of Annex I of MiFID II.
Client	means any natural or legal person to whom an investment firm provides Investment and/or major Ancillary service.
Client Order	means an instruction to buy or sell a Financial Instrument which is accepted by BOV for execution or transmission to a third party.
Execution Venue	means a broker, counterparty, a Systematic Internaliser, or a Market Maker or other liquidity provider or an entity that performs a similar function in a third country to the function performed by any of the foregoing.
Financial Instruments	means those instruments specified in Section C of Annex I of MiFID II.
Limit Order	means an order to buy or sell a financial instrument at a specified price limit or better and for a specified size
Market Maker	means a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against his proprietary capital at prices defined by him.
MFSA	means the Malta Financial Services Authority.
MiFID II	means Directive 2014/65/EU of the European Parliament and the Council of 15 May 2014 on Markets in Financial Instruments and any implementing directives and regulations.
Multilateral Trading Facility or MTF	means a multilateral system, operated by an investment firm or a market operator which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with the provisions of Title II of MiFID II.
Professional Client	means a client meeting the criteria laid down in Annex II of MiFID II.
Organised Trading Facility or OTF	means a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of MiFID II.
Retail Client	means a client who is not a Professional Client.
Systematic Internaliser	means an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client orders outside a Trading Venue.
Trading Venue	means a Regulated Market, an MTF or an OTF.

2. Purpose

This policy document (this **"Policy"**) sets out information on Bank of Valletta p.l.c.'s (referred to as **"we"**, **"BOV"** or the **"Bank"**) arrangements for order execution based on the interpretation of key provisions of MiFID II, the rules and guidelines issued by the MFSA and any other applicable law and regulations.

3. Scope

This Policy applies equally to the Bank's clients (referred to as **"client"** or **"you"**), that are Retail Clients or Professional Clients.

If you are a Professional Client we may, however, agree with you in advance to apply differing standards in accordance with applicable best execution regulations.

Best execution is owed to our clients when:

- i. we execute orders on behalf of clients or directly execute discretionary investment management decisions to deal on behalf of clients; and/or
- ii. we provide the service of Portfolio Management and when we execute the decision to deal on behalf of our client's portfolio; and/or
- iii. we provide the service of reception and transmission of orders also executes the orders received

The financial instruments in scope are listed in Section 7 of this Policy.

4. Best Execution Factors

The Bank takes all sufficient steps to obtain, when executing orders, the best possible result for its clients, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other relevant order execution consideration, whether we are executing orders on behalf of clients or placing orders with, or passing orders to, others for execution.

This overarching obligation to obtain the best possible result for clients is referred to as our obligation of Best Execution.

When executing client orders, the Bank will take into account the following criteria to determine the relative importance of the factors referred to above:

- i. the characteristics of the Client including categorisation as Retail or Professional Client;
- ii. the characteristics of the Client Order;
- iii. the characteristics of the Financial Instruments that are the subject of that Client Order; and
- iv. the characteristics of the Execution Venues to which that Client Order can be directed.

For Retail Client Orders, best execution is primarily determined in terms of total consideration. Total consideration is the price of the relevant Financial Instrument, plus the costs related to execution, including all expenses incurred by the client which are directly related to the order such as execution venue fees, clearing and settlement fees and any other fees paid to entities or agents involved in the order (express costs) and implicit costs such as market impact.

While the same process is applied in practice for orders the Bank executes for Professional Clients, the Bank may also bear in mind the objective of the Client on a case by case basis when determining how to achieve the best outcome for the Client's order and thus total consideration may no longer be the overriding factor.

There are other execution factors to be considered and which may be used over the immediate price and cost consideration but only insofar as they are instrumental in delivering the best possible result in terms of total consideration. These factors are:

- i. speed of execution;
- ii. likelihood of execution and settlement;
- iii. size and nature of order;
- iv. market impact; and
- v. any other implicit transaction costs.

In coming to our determination, we will consider the type of Financial Instrument that is the subject of the order, the type of order and its specific characteristics, such as the size of the order and liquidity, as well as the execution venues to which the order could be directed.

Client instructions and market impact will be crucial in the selection process but we will also consider other factors such as time of day, any Limit Order instructions, and spread.

At the Client's request, the Bank will be able to demonstrate how best execution was achieved on the Client's behalf.

4.1 Specific Client instructions

Where you give us a specific instruction as to the execution of an Order, the relevant part of the Order will be executed in accordance with those instructions.

Clients should be aware that by providing specific instructions may preclude us from taking the steps we have established to enable the Bank to obtain the best possible result for the execution of such Order.

5. Trading Venues and Execution Venues

A list of the Trading Venues and Execution Venues used by the Bank in respect of each class of Financial Instruments can be found at **www.bov.com**. This list of Trading Venues and Execution Venues is provided for indicative purposes only and includes those Trading Venues and Execution Venues on which the Bank relies most. Hence, the Bank reserves the right to use other Trading Venues or Execution Venues, where it considers appropriate, in accordance with our Order Execution Policy. The Bank may add or remove any Trading Venues and Execution Venues from this list.

The Bank will regularly assess the Trading Venues and Execution Venues available in respect of any Financial Instruments that the Bank trades to identify those Trading Venues and Execution Venues that will enable it, on a consistent basis, to obtain the best possible result when executing Orders. Following such assessment, the list of Trading Venues and Execution Venues will be updated if and where necessary. Clients are advised that they will not be notified separately of any changes to the Trading Venues and Execution Venues. Therefore, it is important that clients refer to the list of Trading Venues and Execution Venues at **www.bov.com** from time to time for the current list of Trading Venues and Execution Venues.

6. Choosing a Trading Venue or Execution Venue (“Venue”)

In order to choose a Venue for a Client Order, the Bank shall ordinarily use the following methodology:

- i. Each Client Order will be treated individually. In this respect, the Bank will not execute a Client Order, whether all or in part, by crossing it with a matching Client Order from another Client;
- ii. BOV itself will not act as the Execution Venue;
- iii. Subject to the above, when placing Client Orders, the Bank is required to choose a Venue that it considers the most appropriate. In doing so, the Bank must assess the Venues available in order to identify those that will enable it, on a consistent basis, to obtain the best possible result for executing Client Orders;
- iv. The Bank is required to take steps so that it does not structure or charge its commissions in such a way as to discriminate unfairly between Venues.
- v. The Bank shall not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements.

7. Execution Methodology

The Bank will execute a Client Order by one of the following methods or combination of methods:

- i. On exchange
Directly with a Trading Venue (i.e. a Regulated Market (“**RM**”), Multilateral Trading Facility (“**MTF**”), or Organised Trading Facility (“**OTF**”) or, where the Bank does not have direct market access to the relevant Trading Venue, with a third party participant with whom the Bank has entered into an agreement for the execution of Client Orders for that Trading Venue.
- ii. Outside of a Trading Venue (“**off-exchange**”)
Directly with a Systematic Internaliser (“**SI**”) or Market-Maker (“**MM**”) with whom the Bank has established trading arrangements, or by placing Client Orders with a third party with whom the Bank has an agreement for handling our Clients’ Orders. BOV places a Client Order with an agent only if the Bank is unable to execute the Client Order ourselves. “**Off-exchange**” also applies to products which are classified as Over-the-counter (**OTC**) transactions (Section 7.1 D & E), which are traded directly between two parties without going through an exchange or intermediary.

7.1 Our typical dealing arrangements for different types of investment

A. Equities (or “**shares**”)

- i. Maltese Equities – Maltese equities listed and traded on Malta Stock Exchange plc (“**MSE**”) will be executed directly on the market by us, as members of the MSE. Given the size and volumes generally traded on this Venue as well as the absence of Market Makers, we would consider this market to be relatively illiquid meaning that executing even relatively modest Client Orders expeditiously at “**Market**” (i.e. otherwise than a Limit Order) may result in large price movements, which may not give a Client the best possible result. Accordingly, it is the Bank’s policy that Client Orders in relation to Maltese equities will, unless the Client expressly requires otherwise, be treated as Limit Orders subject to a maximum / minimum price of up to 10% from the last closing price for that equity.
- ii. International Equities – International Equities are largely executed using other entities’ Direct Market Access electronic facilities. This provides us with the ability to select various trading strategies provided by an approved counterparty panel. The Bank utilises the exchange membership and trading strategies offered by the counterparty.

Orders are executed via different Execution Venues which can be directly on exchange, via MTFs or directly with an approved counterparty. This is done either automatically via routing rules which are available on selected exchanges or routed manually by a dealer.

Various proprietary trading algorithms of counterparties may also be used in determining the appropriate strategy to achieve best execution and an execution fee is levied by the counterparties.

- iii. Limit Orders – In the case of a limit order, your order is placed within a reasonable period of time on the market. In some cases, however, we believe that immediately publishing the Client’s limit orders may not be in the best interests of the Client and may result in the Bank not achieving the best possible result for the Client, particularly where this concerns best total consideration, speed and certainty of execution, market impact and avoidance of partially filling the Client’s order. Only in these exceptional circumstances, the Bank will apply its discretion as to when and how Client’s unexecuted limit orders are made publicly available.

B. Debt Securities (or “**bonds**”)

The debt market in some locations is not centrally organised, and for many non-government issues, is not a liquid market. Where liquidity is available orders are largely executed via MTFs or, exceptionally, directly with an approved counterparty on a request for quote basis to determine the most competitive overall pricing for

the size of order concerned, where liquidity does not exist orders will be dealt manually in order to identify counterparties that are quoting prices in the security concerned.

In relation to bonds listed on MSE, the Bank similarly applies a Limit Order policy, unless the Client expressly requires otherwise, that the purchase / sale price is subject to a maximum / minimum price of up to 10% from the last closing price for that bond.

C. Collective Investment Schemes

Trading in Collective Investment Schemes (“**CIS**”) is primarily done electronically via the Royal Bank of Canada’s Global Fund Platform and/or Euroclear’s FundSettle Platform. Such electronic orders are automatically routed by each Platform to respective Transfer Agent of the CIS being targeted as an investment vehicle.

Trading in CIS can only materialise once a link between the Platform on behalf of BOV and the CIS is established by Euroclear and/or Royal Bank of Canada. Once such functional link is set up, trading via each Platform is subject to each CIS dealing day cut-off times.

D. Over the Counter products

Over the counter products are products that are traded other than on a trading venue (for example structured products). Over the counter products are dealt either directly between the Bank and the client, or may be sourced via a counterparty or other third party. An example of this is when we provide a derivative instrument that is tailored to the needs of the client in specific circumstances, for which no comparable alternative exists. Due to the unique contractual structure entered into between the Client and the Bank, it may not be possible to apply all the factors for achieving best execution as applicable to other orders or instruments.

For the execution of bespoke OTC derivatives best execution is achieved differently. In such case, the Bank will check the fairness of the price proposed by gathering market data used in the estimation of the price of such financial instrument and, where possible, by comparing similar or comparable products.

The order routing process will depend firstly on the execution factors. Further issues that may affect the order process are the following:

- i. for bespoke, highly negotiated transactions or for those which may be original trading ideas or for which we have a duty of confidentiality to the originating firm, the Bank will route such orders exclusively to the originating firm since there will be no other available market liquidity within a reasonable timeframe; and
- ii. for some more standardised products, the Bank will usually select and price poll from a shortlist of counterparties identified by the Bank to be among the most competitive in the field concerned.

E. Foreign Exchange (or “**FX**”)

This section applies to the following (**OTC**) traded FX products:-

- Forward Contracts
- Swaps
- Options

Under normal market conditions and based on the consideration of the execution factors, the Bank acts in a principal capacity as counterparty. Orders undertaken with BOV as principal are subject to the same Best Execution criteria as trades done with any other counterparty.

When the Bank provides quotes or negotiates a price with a Client, as a retail or professional client, on request, best execution is owed to the Client depending on the level of reliance the Client places on us. Best execution is always owed to retail clients on the assumption that legitimate reliance is placed on the Bank in relation to pricing and other perimeters of the transaction. If as a professional client, a transaction is initiated with the Bank, it is less likely that the Client is placing reliance on the Bank, as opposed to when the Bank approaches the Client to initiate a transaction. Best execution is, therefore, legitimately owed in the latter case.

8. Reception and Transmission of Orders

Subject to any specific instructions that clients may give the Bank under Para. 3 above, the Bank may transmit an Order received from a Client to a subsidiary or associate of BOV, or to a third party entity, for the execution of that Client Order. In so doing, the Bank will nonetheless act in the Client’s best interest in accordance with Sections 3 and 4 above.

9. General terms of order handling

The Bank is required to execute Clients Orders in a prompt, fair and expeditious manner. The Bank will execute comparable Client Orders sequentially in accordance with the time of their reception unless:

- i. Otherwise instructed by the Client;
- ii. There is a system failure or due to regulatory restrictions;
- iii. The characteristics of the Client Order or prevailing market conditions make this impracticable; or
- iv. The interests of the Client require otherwise.

In the event of a material difficulty in carrying out your orders in accordance with this Policy, we shall inform you promptly upon becoming aware of this difficulty.

Since it is the Bank's policy to treat Client Orders individually, order aggregation will seldom be used. In those rare instances where the Bank receives different Client Orders at the same time and it is in a position to expedite execution by aggregating the individual orders, the Bank will consider order aggregation. However, the Bank will not aggregate Client Orders if the relevant aggregation of orders and transactions will work to the overall disadvantage of any client whose order is to be aggregated. In those circumstances where individual client orders, or part thereof, need to be disadvantaged to achieve the order aggregation, we will only proceed with the aggregation if we disclose to each Client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular Order.

In the case of Limit Orders in respect of shares admitted to trading on a RM which are not immediately executed under prevailing market conditions, the Bank will pass that Order to the relevant Trading Venue, unless:

- i. Expressly otherwise instructed by the Client; or
- ii. Limit Order is expected to disrupt the maintenance of an orderly market on the relevant Trading Venue.

9.1 Speed of Execution

When a Client Order is received, the Bank's traders will ensure that the instructions are adhered to and transmitted to the market within the shortest possible time.

In normal business circumstances, the following timelines will be adhered to:

- i. Local Market Trades

A report of pending trades is generated every 20 minutes and all orders pending thereon are transmitted to the market accordingly, after taking into consideration the necessary checks for securities not held under the Bank's nominee.
- ii. Foreign Market – Equity & ETF trades

Maximum of 20 minutes from receipt of instructions to transmission to market
- iii. Foreign Market – Debt Instrument trades

Maximum of 20 minutes from receipt of instructions to transmission to market
- iv. Foreign Markets – Collective Investment Schemes

All instructions received 20 minutes prior to the CIS's cut-off time will be transmitted before the trading instructions deadline.

10. Dealing in volatile markets and during periods of high trading activity

The Bank's clients should be cognisant with the risks of dealing in volatile markets, and during periods of high trading activity.

Such risks include but are not limited to:

- i. Substantially different price at execution from quoted bid or offer or the last reported price at the time of order placing by the client, as well as partial executions or execution of large orders in several tranches at different prices;
- ii. Delays in executing orders especially those where the Bank has to send to external market makers, route manually or manually execute orders; and
- iii. Bids that equal the order or are higher than the offer which may prevent execution.

Price volatility may also affect order execution. When there is a high volume of orders in the market, order back logs can occur. This results in more time to execute pending orders. Such delays are caused by different factors such as but not limited to:

- i. The number and size of orders being processed;
- ii. Capacity constraints and possible system suspensions or failure deriving from the exchange, other firms or the Bank;
- iii. The speed at which current quotations are provided to the Bank or other brokerage firms.
- iv. Any other event that may preclude the ordinary execution of trades.

11. Additional Information

11.1 Top 5 Execution Venue Reporting

With effect from 3 January 2018 the Bank is required to publish, the top 5 execution venues BOV has used to execute orders as well as the top 5 counterparties to which orders were placed or transmitted in terms of trading

volumes, in the preceding year, together with information on the quality of execution obtained. This report will be per class of financial instrument and for Retail Clients and Professional Clients.

The report will be available on **www.bov.com**.

12. Monitoring and Review

The Bank will monitor the effectiveness of its order execution arrangements and this Policy in order to identify and, where appropriate, correct any deficiencies. In particular, it shall assess, on a regular basis, whether the execution venues disclosed as per above provide for the best possible result for the client or whether it needs to make changes to its execution arrangements, particularly with third parties.

The Bank will review this Policy at least annually, and whenever a material change occurs that affects the Bank's ability to continue to obtain the best possible result for its clients. The Bank will inform its clients of any material changes to its order execution arrangements and/or to this Policy by posting an updated version of this document on **www.bov.com**. A copy of the Bank's Order Policy may also be obtained from any BOV Branch.

13. Consent

Notification of this Policy to Clients, shall be considered tantamount to obtaining the clients' consent. When executing a client's order outside a Trading Venue, the Bank is required to obtain client's prior express consent. Clients will be required to provide their express consent in the relative form accompanying the Terms of Business.

Appendix to the Order Execution Policy**List of main trading and execution venues****Shares, ETFs, Mutual Funds**

Athens Stock Exchange	Malta Stock Exchange
Australian Securities Exchange	NASDAQ OMX Copenhagen
Banca IMI	NASDAQ OMX Helsinki
Barclays	NASDAQ OMX Stockholm
BME Spanish Exchange	NASDAQ Stock Market
Borsa Italiana/Milan Stock Exchange	New York Stock Exchange
Deutsche Börse	Oslo Børs/Oslo Stock Exchange
Euronext Amsterdam	Prague Stock Exchange
Euronext Brussels	RBC Global Fund Platform
Euronext Dublin	Singapore Exchange
Euronext Lisbon	SIX Swiss Exchange
Euronext Paris	Tokyo Stock Exchange
Flow Traders	Toronto Stock Exchange
Fund Settle Platform	Tradition
Hong Kong Exchange	TSX Venture Exchange
Johannesburg Stock Exchange	Warsaw Stock Exchange
London Stock Exchange	Wiener Börse/Vienna Stock Exchange

Bonds

Australia New Zealand	Lloyds Bank
Banca IMI	MUFG Securities
Banca Zarattini	Natixis
Banco Santander	NICB
Barclays	Nomura
Bayerish Landesbank	Rabobank Nederland
Comm Bnk of Australia	RIA Stockbrokers
Credit Suisse	Royal Bank of Canada
Daiwa	Shore Capital
DZ Bank	TD Securities
ING Bank	Tradition
Jefferies	Unicredit
KBC Bank	Zurcher Kantonal Bank
KBL	Malta Stock Exchange
Landesbank Baden	

Bank of Valletta p.l.c. is a public limited company licensed to carry out the business of banking and investment services in terms of the Banking Act (Cap. 371 of the Laws of Malta) and the Investment Services Act (Cap. 370 of the Laws of Malta). Bank of Valletta p.l.c. is an enrolled tied insurance intermediary of MAPFRE MSV Life p.l.c. MAPFRE MSV Life is authorised by the Malta Financial Services Authority to carry on long term business of insurance under the Insurance Business Act 1998. Bank of Valletta p.l.c. is authorised to act as a trustee by the Malta Financial Services Authority.

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