

# SUMMARY OF ORDER EXECUTION POLICY

## 1 INTRODUCTION

Garanti BBVA International (“GBI”) is a duly authorized bank having its seat in Amsterdam, the Netherlands, registered with the Trade Register of the Chamber of Commerce and Industry under number 33225009. Garanti BBVA International is subject to the control and supervision of the Dutch Central Bank (De Nederlandsche Bank N.V.) and Autoriteit Financiële Markten (AFM).

The European regulation that governs the actions of investment firms (the “Entities”) in relation to executing orders for financial instruments (Directive 2014/65/EC, Delegated Regulation (EU) 2017/565/EC and other implementing regulations referred to as “MiFID 2”) requires that said firms adopt and enforce a policy to be able to offer their clients (the “Clients”) the best possible result in the firms’ order execution service. Consequently, investment firms must enforce an order execution policy (the “Order Execution Policy”) or reception and transmission of orders policy (the “Reception and Transmission of Orders Policy”), where the Entity directly executes orders from its Clients via an Execution Venue or where the Entity executes its Clients’ orders by transmitting them to other Entities (the “Intermediaries”) for final execution.

This document summarizes the most relevant aspects of GBI’s Order Execution Policy and its Reception and Transmission of Orders Policy (collectively the “Execution Policy” or the “Policy”).

GBI makes available to its Clients the latest information regarding execution quality at the Execution Venues and Intermediaries stated in Annex I of this document, which can be found via the following link: <https://www.garantibank.eu/mifid-ii-annual-reports/about-us/terms-and-conditions/mifid-ii-annual-reports>

The Policy updates and amends GBI’s order execution policy, which was in force until January 3, 2018 under Directive 39/2004 (MiFID) and its supplementing regulations, to adapt their content to the regulatory requirements stipulated by MiFID 2.

This document includes terms with capital letters, the meaning of which, unless otherwise indicated, shall be construed in accordance to MiFID 2.

## **2 SCOPE OF THE EXECUTION POLICY**

The Policy is of general application to Professional Clients (regardless of whether the clients are classified as “per-se” or “elective” professional, meaning; via an opt-up mechanism) with some specificities according to the Client classification and instrument typology, as explicitly set out in this document.

GBI does not undertake any obligation to provide best execution in relation to any order if the instructing party is an Eligible Counterparty.

The Execution Policy is applicable when

- (i) GBI receives an order from a Client to execute their orders on financial instruments on Execution Venues;
- (ii) In other cases when GBI transmits the Client order to an Intermediary, which in turn executes the order on an Execution Venue;
- (iii) When GBI deals on own account in financial instruments, and considers that the Client legitimately relies on GBI to protect his or her interests in relation to the determination of the pricing or other elements of the transaction.

GBI applies the Policy to the Financial Instruments referred throughout this document (hereinafter, also referred to as the “Instruments” or the “Financial Instruments”), as described below. Paragraph 3.2.4 of this document (“Financial Instruments traded Over the Counter”) sets forth how this Policy shall be applied when GBI deals on own account with its Clients.

## **3 GENERAL PRINCIPLES**

### **3.1. General Principles of best execution**

GBI will take all sufficient steps to obtain the best possible result when executing its Clients’ orders. The Execution Policy is intended to define the strategy followed by GBI to achieve this goal.

The fulfillment of the execution criteria set out in these Policies must be achieved in general, albeit not for every order received by GBI from its Clients. In other words, GBI has no obligation to obtain the best possible result when executing each and every individual order received from its Clients. It must instead apply the general criteria in the Policy to all orders from its Clients to obtain the best result possible on an ongoing basis.

To achieve best results, some of the Clients' orders may be executed outside Regulated Markets or other Trading Venues<sup>1</sup> (orders regarding OTC Instruments); this includes executing an order against GBI's own account. When executing these orders outside Trading Venues, GBI will check the price suggested to the Client for fairness by collecting market data and, to the extent possible, comparing it with similar or comparable products. GBI will require the Clients' prior express consent to execute their orders outside Trading Venues. GBI may obtain this consent from the Client either in the form of a general agreement or in respect of individual transactions.

In the cases mentioned above, the execution may involve the additional risks such as, among others, a counterparty<sup>2</sup>, liquidity<sup>3</sup> and/or settlement<sup>4</sup> risk. Upon request from its Clients, GBI will provide additional information on the consequences of this type of execution.

In addition, GBI may execute fixed income and equity Instruments' subscription orders on primary market.<sup>5</sup> Orders instructed to GBI for execution on a primary market will be executed according to the terms and conditions established by the issuer, the agreements reached between GBI and the Client, and the specific instructions given by the Client.

GBI will not apply fees to Clients in a way which discriminates unfairly between Execution Venues.

GBI will inform Clients of any major difficulty in the proper execution of their orders, when it becomes aware of them.

### **3.2. Factors that determine Best Execution**

In order to obtain the best possible result for its Clients, the following factors will be taken into account:

- The Instrument's price ;
- Costs (including, amongst others, the execution and clearing/settlement costs);
- Instrument liquidity (i.e. volume of orders available in each Execution Venue for the Instrument in question and its market depth);
- Volume of the order (number of Instruments included in the order);
- Probability of execution and settlement;

---

<sup>1</sup> As per MiFID 2, "Trading Venues" are Regulated Markets, Multilateral Trading Facilities and Organized Trading Facilities.

<sup>2</sup> This risk arises when the counterparty against whom the Client's order was executed fails to comply, or complies late, with their payment and/or delivery obligations for the Instrument agreed.

<sup>3</sup> Liquidity risk refers to the inability to execute the order in full and/or that the order's execution price is consistently and negatively impacted.

<sup>4</sup> This risk arises from an unforeseen event stops or delays the order's settlement.

<sup>5</sup> The subscription of Instruments on the primary market refers to the initial acquisition of securities following their issue, whether via the direct transfer of the securities between the client and issuer, or indirectly via allocation to the GBI account as Intermediary between the Client and issuer.

- Speed of execution (ability to complete the transactions quickly);
- Settlement characteristics; and
- Any other consideration deemed relevant to the execution of an order.

In determining the relative importance of these factors, the following criteria will be taken into account:

- The characteristics of the Client,;
- The characteristics of the order;
- The characteristics of the Instruments covered by the order;
- The characteristics of the Execution Venues on which the order can be executed.

### 3.2.1 Equity Instruments and ETFs

The best possible result in the execution of orders from Professional Clients for equity Instruments and ETFs will be determined, in the following order, based on:

- The price of the Instrument;
- The service costs (including, among others, the execution, clearing and settlement costs);
- Expected impact of execution (size and type of order)
- Likelihood of execution and settlement
- Speed of execution (ability to complete the transactions quickly);
- Any other relevant consideration to execute the order.

### 3.2.2 Fixed Income Instruments

The best possible result in the execution of orders from Professional Clients for fixed income Instruments is determined, in the following order, based on:

- The price of the Instrument;
- The liquidity of the Instrument (i.e. volume of orders available in each Execution Venue for the Instrument in question and its market depth);
- The costs attached (including, among others, the execution, clearing and settlement costs);
- The volume of the order.

In addition to the aforementioned factors, GBI may take into account factors such as the speed of execution, settlement and clearing of the order, as well as any other relevant consideration for the execution of the Clients' orders.

### 3.2.3 Units in Undertakings for Collective Investment Vehicles (UCITs)

GBI provides the Reception and Transmission of Orders (RTO) service for shares and units in UCITs.<sup>6</sup> The transaction will be registered in the UCIT's unit holder or shareholder register by the relevant management company or the UCIT's administrator. The best result is obtained because:

- The price is the share's or unit's net asset value (NAV) calculated by the UCIT's management company or administrator as per the regulations on UCITs;
- There are no other costs relating to the order's execution except for costs listed in the prospectuses (e.g. subscription or redemption fees);
- The speed of execution is determined directly by the UCIT's management company or administrator when it assigns the NAV to the Client's order, calculated as per the UCIT's specific regulations, depending on when the Client's subscription or redemption order takes place, and in accordance with the cut-off times defined in the UCIT's prospectus and, for foreign UCITs, in the marketing memorandum. When buying into foreign UCITs, the cut-off times set by the companies which market UCITs must also be taken into account;
- The UCITs management company or administrator carries out the subscription or redemption transactions within the timeframes laid down in the UCIT's prospectus;
- GBI makes sure that, if the UCITs issue different classes of shares and/or units, the selected classes will be those defined by the management companies for the relevant service type so that the best possible class is selected for the Client in terms of fees, transaction volume and minimum amounts, and class requirements established in the fund's prospectus.

### 3.2.4 Financial Instruments traded Over the Counter (OTC)

When dealing on own account in Derivative Financial Instruments and fixed income Financial Instruments<sup>7</sup>, GBI will apply the best execution regime when it considers that

---

<sup>6</sup> Except for listed UCITs (e.g. ETFs and SICAVs) to which the general principles of this Policy apply.

<sup>7</sup> Appendix I Section A, point 3 of Directive 2014/65/EC

the Client legitimately relies on GBI to protect his or her interests in relation to the pricing or other elements of the transaction. GBI will determine, based on the following considerations<sup>8</sup>, those cases in which it considers that the Client legitimately relies on GBI when dealing in a Financial Instrument:

- Which party initiated the transaction (the Client or GBI). If the Client initiates the transaction, the Client is less likely to rely on GBI to protect their interests.
- The market practice. For example, if the common market practice consists in asking for quotes to several Entities (practice known as “shop around”) when dealing this Instrument, GBI will assume that the Client is less likely to rely on GBI to protect their interests.
- The level of transparency of the prices. If there are market prices published for the relevant Instrument and the Clients can have access to them, GBI will assume that the Client is less likely to rely on GBI to protect their interests.
- The information GBI provides about its services, and the terms of the agreements between the Client and GBI.

Following from the analysis above, GBI may determine, particularly when dealing with Professional Clients, that certain Clients are not legitimately relying on GBI when trading bilaterally and, as such, this Policy does not apply to them.

In the cases where GBI considers that the Best Execution regime applies to OTC transactions, as per the section above, the best execution obligations shall be applied in accordance to the principle of fairness of the price offered to the Client.

GBI will consider prices offered to Clients to be fair when they have been calculated pursuant to standard market valuation methods, applying potential adjustments determined on the basis of internal methodologies internally approved for the relevant type of Client and transaction, and adding the relevant costs and expenses. To the extent possible, GBI will compare the prices offered to its Clients with the prices observed in the market for similar or comparable Instruments.

#### **4. SELECTING EXECUTION VENUES AND INTERMEDIARIES**

GBI does not have any direct access to regulated markets. Where only a single execution venue and/or Intermediary is used GBI shall still ensure that it obtains the best possible result on a consistent basis.

---

<sup>8</sup> The criteria that GBI will follow to determine whether a Client legitimately relies on GBI follow those established in the European Commission working document ESC-07-2007 regarding MiFID implementation.

Key factors for selecting a single Execution Venue or Intermediary are;

- Technological and operational integration of its systems with GBI's systems;
- Access to Execution Venues which GBI regards as relevant to execute its Client orders;
- Administrative and operational services;
- Capacity to execute the Client orders with a positive track record;
- Additionally, the use of a different Intermediary would result in a significant increase in fixed costs, which could have an impact on the service provided to the Clients.

## **4.1 Selection of Execution Venues**

### **4.1.1. Fixed Income Instruments, equity Instruments and ETFs**

In addition to factors mentioned in section 3, for the selection of Execution Venues, the following factors (in this order) will be taken into account to obtain the best possible result:

- the reliability of the clearing and settlement systems;
- the reliability of the connection infrastructure with the Execution Venues;
- the degree of automation of the operative of the Execution Venues;
- the risks associated with operating with the relevant clearing houses;
- any other consideration relevant to the execution, settlement and clearing of the order.

## **4.2. Choice of Intermediaries**

GBI has established arrangements for the provision of the Reception and Transmission of Orders service with a number of Intermediaries in order to meet its best execution obligations in the provision of this service.

In cases where a Client order is transmitted to an Intermediary, GBI will require the order execution services of that Intermediary to carry out the execution of the order in the relevant Execution Venue in question. In such cases, GBI acts as the transmitter of the order to the Intermediary, which will be ultimately responsible for executing the order in the appropriate Execution Venue pursuant to the Intermediary's execution policy.

For the election of an Intermediary, it must meet the following requirements:

- To have access to the Execution Venues that GBI considers relevant for service provision to its Clients. This requirement will consider access to these venues as



well as whether this access is direct or indirect, and the availability of Financial Instruments in the Execution Venues.

- To have settlement and clearing arrangements and be a member of central counterparties or clearing and settlement systems at the relevant Execution Venues.
- To achieve systemically the best possible result in the execution of Clients' orders. To this end, the data on the quality of execution published by each Intermediary will be reviewed every year.

GBI will assess the level of service provided by each Intermediary on the basis of these criteria to then select the Intermediaries for its Clients' orders.

Annex I contains a list of Intermediaries used by GBI for each type of Instrument. This list will be updated and available on the GBI website ([www.garantibank.eu](http://www.garantibank.eu)).

#### 4.2.1 Equity Instruments and ETFs

In addition to the factors mentioned in the previous section, the following factors will be considered, in this order, when selecting Intermediaries with a view to achieving the best possible result for Clients:

- Their capacity to execute Client orders transmitted to the Intermediary;
- Their global offer to access to Execution Venues;
- Their systems reliability;
- The technology used to execute orders;
- The risks associated to the transactions; and
- Any other relevant consideration to the execution, settlement and clearing of the order.

#### 4.2.2. Fixed Income Instruments

No Intermediaries are used to execute Clients' orders regarding Fixed income Instruments.

## 5 SPECIFIC EXECUTION INSTRUCTIONS FROM CLIENTS

Any specific instruction from a Client with regard to an order or aspect of an order may prevent GBI from adopting the expected measures under the Policy to obtain the best possible result when executing and/or transmitting the order to an Intermediary.

GBI reserves the right to admit orders with specific instructions.

## **6 REVIEW OF THE POLICY**

GBI will monitor the effectiveness of the Policy in order to identify and, where appropriate, correct any deficiencies in applying the Policy.

GBI will also periodically check whether the Execution Venues and Intermediaries involved, as well as the relative importance assigned to each factor of execution or any other aspect of the Policy, make it possible to systematically obtain the best possible result for its Clients.

This review will be conducted at least once a year and, additionally, whenever there is a major change affecting the ability of GBI to continue offering its Clients the best possible results under the Policy.

GBI will analyze the quality of the execution of orders through available systems. GBI has an internal governance framework in place which provides for the presentation of the results of the orders' execution quality internally and for the appropriate decision making, where applicable. Additionally, the departments responsible for supervision and control of GBI's activity (Internal Control, Compliance, etc.) will regularly check the effectiveness of the mechanisms implemented for the adequate control of the Policy, and that GBI's execution and order transmission systems and procedures make it possible, in general, to achieve the best possible result for its Clients.

GBI will inform to any Clients with a stable business relationship with the bank of any major change to the Execution Policy, as relevant.

For each Instrument, GBI will publish annually the list of top five Execution Venues where GBI executes its Clients' orders and the top five Intermediaries it transmits orders to. This information will be published on GBIs' website ([www.garantibank.eu](http://www.garantibank.eu)).

GBI will also make information on its Execution Policy available to its Clients through the GBI website ([www.garantibank.eu](http://www.garantibank.eu)).

## **7 ACCEPTANCE OF THE POLICY**

GBI will provide a summary of this Policy to all Clients who are provided with investment services that entail the execution of Instruments subject to this Policy.

Any order instructed to GBI by any of its Clients after January 3, 2018 entail the acceptance by the Client of this Execution Policy.

## ANNEX I

Annex I contains the list of Execution venues and Intermediaries/Brokers used by Garanti BBVA International to execute its Clients' orders.

Note that this list of execution venues is not exhaustive but comprises those execution venues on which Garanti BBVA International places significant reliance. This list may be under review and updated in accordance with the Order Execution Policy of Garanti BBVA International. Garanti BBVA International reserves the right to add and remove execution venues to those listed below where this is deemed in accordance with the Order Execution Policy of Garanti BBVA International.

### Equities

#### Ordinary shares, ADRs, ETF

Garanti BBVA International has no direct access to Regulated Markets and uses J.P. Morgan AG, Saxo Bank A/S and Ata Yatirim Menkul Kiymetler A.S. as Intermediaries (Brokers) to access Execution Venues:

Athens Exchange Cash Market (XATH)	Irish Stock Exchange (XDUB)
Banca Generali	Instinet
Bloomberg (via RFQ)	Jane Street
Bloomberg Trading Facility (BMTF)	JP Morgan
Bolsa de Madrid (XMAD)	London Stock Exchange (XLON)
Borsa Istanbul (XIST)	Luxemborg
Capital Markets	Morgan Stanley
Carregosa	Nasdaq/NGS (Global Select Market) (XNGS)
CBOE BZX US Equities Exchange (BATS)	Nasdaq/NMS (Global Market) (XNMS)
Chicago Board of Trade (XCBT)	Nasdaq OMX
CIMB	Nasdaq Stockholm (XSTO)
Citadel	New York Stock Exchange (XNYS)
Deutsche Boerse (XFRA)	NYSE ARCA (ARCX)
Deutsche Boerse XETRA (XETR)	Open Markets
Euronext Amsterdam (XAMS)	Optiver
Euronext Brussels (XBRU)	Societe General
Euronext Paris (XPAR)	Susquehanna Intl Securities

Flowtraders	Tradeweb (via RFQ)
HSBC	UBS

## Fixed Income

### **Bonds and Debt Securities**

- Bloomberg Trading Facility B.V.  
(MIC: BTFE)

## Currencies

### **OTC derivatives - Foreign exchange forwards and swaps**

Garanti BBVA International deals in FX products with clients through the receipt of orders or requests for quotes (RFQs).

In cases where our clients trade OTC Derivatives with Garanti BBVA International, the Bank always executes as Principal. This means that the Bank deals on own account and that our clients trade directly with the Bank.