

**Order Execution Policy for Professional Clients**  
VTB Capital Plc

**Effective as of 6<sup>th</sup> November 2017**

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## 1. Background

This document summarises the order execution policy for VTBC Capital Plc (“**VTBC**”) in relation to VTBC’s institutional business conducted by its Global Markets division which includes amongst others: Equities, Fixed Income and Commodities.

## 2. Purpose

VTBC is subject to a regulatory duty of best execution under the Markets in Financial Instruments Directive 2004/39/EC (as incorporated into applicable law together with its implementing regulations, “**MiFID**”) and its subsequent revision, 2014/65/EU, (as incorporated into applicable law together with its implementing regulations, “**MIFID II**”) when providing execution service and in respect of its Global Market activities.

Where best execution is applicable, VTBC is required to take all “sufficient” steps to obtain the best possible results for its clients, subject to and taking into account any specific instructions, the nature of your orders, the markets and the products concerned. VTBC has established this **Order Execution Policy** and related arrangements on best execution in respect of its Global Markets activities.

This overarching requirement should not be interpreted to mean that VTBC must obtain the best possible results for its clients on every single occasion, unless our client expressly places reliance on VTBC to do so. Rather, VTBC will verify, on an on-going basis that its execution arrangements work well throughout the different stages of the order execution process to provide best execution on a consistent basis.

Furthermore, irrespective of the scope of best execution, VTBC is committed to delivering an efficient, professional, transparent and client focused service. We are committed to working closely with our clients on their specific order execution requirements and will endeavour to see whether we can accommodate these execution requirements.

If you have any questions relating to this policy, please contact your VTBC representative.

## 3. Scope

Only VTBC, duly authorised to provide Global Markets products and services, are able to offer products and services stated in this policy. Therefore only VTBC is in scope for this Policy.

### A. Client

VTBC’s Order Execution Policy applies to clients we have classified as professional clients. This policy does not apply to eligible counterparties (ECPs) or retail clients. If a client requests to be classified

as an ECP, the relevant VTBC client representative will consult with VTBC's Compliance Department to determine whether this is acceptable based on the understanding of the client's requirements, knowledge and expertise.

#### B. Financial Instruments

This policy only applies with respect to financial instruments within the scope of MiFID II. Financial Instruments include but are not limited to transferable securities (such as shares and bonds), money-market instruments, exchange traded and OTC derivatives. This policy does not apply to Spot FX and Physical Commodities.

#### C. Entity Location

This Policy will apply to all professional clients within the EEA executing MIFID II eligible products with VTBC. This Policy will also apply to Non EEA clients transacting in financial instruments within the scope of MiFID II.

### 4. Best Execution

In circumstances where best execution applies, when executing orders VTBC will take all sufficient steps to obtain the best possible result for our clients. To do this, VTBC will take into account the following execution factors:

#### A. Execution Factors

- price of execution
- costs payable by the client as a result of the execution
- the speed and / or likelihood of execution and settlement
- the order size
- the impact of the order on market prices of displaying the order and or executing an order or part of the order
- any other applicable consideration relevant to the efficient execution of the order

#### B. Relative Importance of Execution Factors

When executing client orders, VTBC must take into account the following criteria for determining the relative importance of the Execution Factors above:

- the characteristics of the client
- the characteristics of the client order
- the characteristics of the Financial Instruments that are the subject of that order; and
- the characteristics of the execution venues to which that order can be directed

Subject to any specific instructions, taking into account the criteria above, VTBC will generally regard net price (Net price is the total price paid by the client, net of client commission and fees), followed

by speed and or likelihood of execution as the most important factors in the execution of a client order. This is the case for all products except Bonds, where VTBC will, unless otherwise instructed, regards net price as the most important factor in the execution of a client order.

There may be circumstances where the other execution factors should be prioritised above price. We reserve the right to exercise a degree of discretion in how to apply Execution Factors. This may result in a range of different permissible approaches to executing a client order based on commercial judgement in the context of available market information and the best interests of the client.

## **5. When does Best Execution Apply?**

### **A. Executing a relevant order on behalf of a client**

An order is classified as an instruction from a client to execute a transaction on the client's behalf that gives rise to obligations to provide best execution when VTBC is acting in a riskless principal or agency capacity or under a contractual obligation. Such obligations will also arise where VTBC is required to exercise certain discretion on the client's behalf e.g. how and when to execute orders.

Best Execution applies when VTBC is executing orders on a client's behalf. Best execution also applies when we are transmitting orders on the client's behalf to a third party broker for execution.

### **B. A specific instruction**

If VTBC receives an order that includes a specific instruction or set of instructions in relation to the execution of that order then, subject to our legal and regulatory obligations, VTBC will execute the order in accordance with your instructions. Our best execution obligation will be satisfied by executing the order in accordance with the client's specific instruction(s). Where the specific instruction covers only part of the order, best execution will continue to apply to the remaining part(s) of the order not covered by your specific instruction(s).

However, clients should be aware that any specific instruction(s) may prevent VTBC from taking all sufficient steps that have been designed in this Order Execution Policy to obtain the best possible results for execution of those orders.

### **C. Smart Order Routing (SOR)**

Where VTBC use smart order routing to execute orders, these arrangements will be reviewed as a part of our best execution governance framework to ensure that these arrangements are working in the best interest of our clients on a consistent basis.

## **D. Request for Quote**

When a Professional Client initiates a 'Request for Quote' VTBC will not generally consider the client to be relying on VTBC for best execution.

However in accordance with regulatory guidance, VTBC will apply a Four Fold Test to determine whether there is any legitimate reliance by the client on VTBC to protect its interests.

The **Four Fold Test** entails the consideration of:

- i. *Whether VTBC or the client initiates transactions – where the client initiates the transaction, this suggests that it is less likely that the client will be placing reliance on VTBC. VTBC may communicate market opportunities or indicative prices to the client as part of the general relationship and VTBC do not consider that this means that VTBC will be deemed to have initiated the transaction;*
- ii. *Shop around – where the 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 client will be placing reliance on VTBC;*
- iii. *Relative levels of transparency within a market – if VTBC have ready access to prices in the market in which it operates, whereas the client does not, it is more likely that the client will be placing reliance on VTBC, whereas if VTBC's access to pricing transparency is broadly equivalent, it is less likely that the client will be placing reliance on VTBC; and*
- iv. *Information provided by us and the terms of our agreements with the client – where VTBC's arrangements and agreements with the client (such as our terms of business and this policy) state the circumstances in which best execution may not be owed, it is less likely that the client will be placing reliance on VTBC.*

Where we conclude based on the above factors that the client is not legitimately relying on VTBC, then best execution will not apply.

Notwithstanding this, even in cases where best execution does not apply, VTBC will always act in the best interest of its clients and is committed to providing an efficient, professional, transparent level of client service.

## **E. Indications of Interest (IOIs) and trade advertisements**

In order to ensure that VTBC is promoting best execution it will use the the Indications of Interest (IOIs) or trade advertisements (TAs) functionality available to advertise the clients flow to try and find a natural completion. This is standard market practice and helps VTBC cover a larger spectrum of clients. Additionally a client may request not to have IOIs and TAs in relation to their orders. In such cases, VTBC will not use the potential liquidity they may generate thus affecting the likelihood and speed of execution.

## **6. Unwinding a position for a Client**

Where VTBC is required to unwind a position for a client, for example, where the client is in default under VTBC's terms of business or a contractual obligation with VTBC or otherwise, the most important execution factor will be getting this done, so best execution is achieved by immediately unwinding the position to the best of VTBC's ability.

## **7. Market Turbulence and System Failure**

In certain circumstances the Best Execution obligation may change, for example during severe market turbulence and/or where there is internal or external systems failure or where there is an illiquid market. In such cases the ability to execute orders on a timely basis, or at all, will become the primary factor. In such events VTBC may not be able to access all the venues on which it places significant reliance and best execution will be delivered on the basis of the revised priorities of the execution factors that VTBC determine as reasonably best placed to achieve best execution under the prevailing circumstances.

## **8. Conflicts of Interest**

VTBC will ensure any potential conflicts of interest, such as internalising a client order, executing orders through an affiliate or the selection of third party broker, are reviewed as a part of the order execution governance framework to ensure that we consistently obtain the best result for the client and that VTBC are complying with VTBC's Conflicts of Interest Policy.

## **9. Execution Venues**

Execution venues include:

- VTBC and its affiliates where we internalise orders
- Regulated Markets (RM)
- Multilateral Trading (MTFs)
- Organised Trading Facilities (OTFs)
- Systematic Internalisers
- Market makers and other liquidity providers
- Non-EEA entities performing similar functions to the above

Execution venues include venues of which VTBC are direct members or participants and venues VTBC access through third party brokers or dealers.

A list of venues can be found in the appendix of this policy. These venues are used to ensure that on a consistent basis that we provide the best possible results for our clients in cases where the best execution obligation applies.

For certain products, VTBC's choice of venue may be constrained by the fact that there may only be one venue where an order can be executed due to the nature of the client's order, specific instruction or specific requirements. Where an instrument is only tradable on one market, the only

execution factor VTBC will consider is the speed and or likelihood of execution unless a specific instruction indicates otherwise.

VTBC is not incentivised to direct client orders to any specific venue. Orders will be directed to execution venues taking into account the execution factors stated in section 4 of this policy.

For some products, client orders may be executed using smart order routing technology which have been selected and reviewed to ensure that VTBC obtains, on a consistent basis, the best possible outcome for the client.

As an emerging market focused Bank, execution venues are selected and reviewed based on a number of factors but primarily to ensure that clients have access to the relevant sources of liquidity.

Where the product trades on a regulated markets or multilateral trading facility with the appropriate liquidity, VTBC will aim to execute client orders on such venues but where the characteristics of the instrument or applicable execution factors are deemed appropriate VTBC may execute client orders outside of these venues. This will be on the basis of having express prior consent from the client.

In cases where VTBC executes orders outside a trading venue our clients should be aware that additional risks such as counterparty risk might exist. For further information on such risks, you should you request further information from your VTBC representative.

#### **10. Visibility**

For worked orders, a client and/or the sales trader choose the amount of information they release to both internal and external stakeholders. The visibility of an order to the market may be increased or decreased based on client's and/or sales trader's preferences. The increase of visibility may improve potential liquidity opportunities depending thus affecting the likelihood of execution.

#### **11. Disputes**

In the event of a dispute we request that our clients contact their VTBC representative as soon as possible with a detailed description of the dispute so that it can be appropriately logged as a part of our Complaint Handling Procedure. VTBC will make every effort to resolve disputes promptly and will ensure that they are escalated appropriately within the organisation and handled professionally at all times.

#### **12. Governance and monitoring**

VTBC will monitor the effectiveness of its execution arrangements and this Policy on an on-going basis to ensure that the quality of execution and the execution venues that it has selected sufficiently contribute to the best possible result for orders it executes on clients' behalf. VTBC utilises industry standard Transaction Cost Analysis (TCA) information as well as internal data in order to achieve this as well as conducting regular reviews of venues and their performance.



VTBC will review this Policy, including its appendices, and its order execution arrangements at least annually.

VTBC will also review the policy if a material change occurs that affects VTBC's ability continue to obtain the best possible result for the execution of its client orders on a consistent basis using the venues included in its execution policy. A material change shall be a significant event that could impact parameters of the execution factors stated in section 4 of this policy.

Where a client makes a request about its execution arrangements and how they are reviewed by VTBC, VTBC will respond within a reasonable time via, in the first instance, the relevant VTBC representative.

### **13. Mifid II Best Execution Reporting**

In accordance with MiFID II, VTBC will be required to published 2 reports to provide the public and firms with relevant data to measure the quality of execution and where VTBC have executed client orders

1. Quality of Execution Report (RTS 27), published quarterly when acting as a market maker or liquidity provider for the instrument
2. Top 5 Venues Report (RTS 28), published annually

These reports will be available in the public domain for a minimum of 2 years.

### **14. Policy communication and amendments**

This policy can be found on VTBC's website: <https://www.vtbcapital.com/about/information-disclosure/mifid-ii/>. VTBC may amend this Policy from time to time. When we make a material change to the Policy VTBC will inform clients by publishing an updated version on this website.

## Appendix

### **I. PRODUCT SCHEDULES**

As stated in section 4 of this policy, subject to any specific instruction, and taking into account the criteria of the client, the order, the product and the execution venue, VTBC, with the exception of Bonds, will generally regard **net price (the total price paid by the client)**, followed by **speed and or likelihood of execution** as the 2 most important execution factors. The remaining execution factors stated in this Order Execution Policy are generally given equal weighting.

#### **EQUITIES**

##### **Cash Equities**

<b>Client Requirement</b>	<b>Best Execution Owed</b>
Relevant Order	Yes
Request for Quote (RFQ)	4 fold test applied*
Specific Instruction	Yes**
Client requests Best Execution	Yes

\* As described in section 5

\*\* Best execution will be achieved by executing the trade in accordance with the client's instructions. Please note, that a specific instruction(s) may prevent VTBC from taking all sufficient steps to obtain the best possible results for execution of those orders

<b>Most Important Execution Factors*</b>	<b>Most Important factors in venue selection</b>
Net Price	Availability of liquidity
Speed and / or likelihood of Execution	Cost of clearing and other fees
	Venue infrastructure and post trade services

\* if only 1 venue is available or VTBC believe immediately obtaining the best available price is not in the client's best interest, other factors maybe prioritized above price

##### **Equity Derivatives**

Including but not limited to single name, index and flow derivatives

<b>Client Requirement</b>	<b>Best Execution Owed</b>
Relevant Order	Yes
Request for Quote (RFQ)	4 fold test applied*
Specific Instruction	Yes**
Client requests Best Execution	Yes

\* As described in section 5

\*\* Best execution will be achieved by executing the trade in accordance with the client's instructions. Please note, that a specific instruction(s) may prevent VTBC from taking all sufficient steps to obtain the best possible results for execution of those orders

<b>Most Important Execution Factors*</b>	<b>Most Important factors in venue selection</b>
Net Price	Availability of liquidity
Speed and / or likelihood of Execution	Cost of clearing and other fees
	Venue infrastructure and post trade services
	Access to the relevant venues and counterparties

\* if only 1 venue is available or VTBC believe immediately obtaining the best available price is not in the client's best interest, other factors maybe prioritized above price

## **FIXED INCOME**

### **Bonds**

<b>Client Requirement</b>	<b>Best Execution Owed</b>
Relevant Order	Yes
Request for Quote (RFQ)	4 fold test applied*
Specific Instruction	Yes**
Client requests Best Execution	Yes

\* As described in section 5

\*\* Best execution will be achieved by executing the trade in accordance with the client's instructions. Please note, that a specific instruction(s) may prevent VTBC from taking all sufficient steps to obtain the best possible results for execution of those orders

<b>Most Important Execution Factors*</b>	<b>Most Important factors in venue selection</b>
Net Price	Availability of liquidity
	Cost of clearing and other fees
	Venue infrastructure and post trade services
	Track record of performance

\* if only 1 venue is available or VTBC believe immediately obtaining the best available price is not in the client's best interest, other factors maybe prioritized above price

## II. EXECUTION VENUES

Execution venues include VTBC and its affiliates, systematic internalisers and investment firms and venues of which VTBC are direct members or participants and venues we access through 3<sup>rd</sup> party brokers or dealers.

Execution venues include but are not limited to the below:

ASSET CLASS	TRADING VENUES
Equities	London Stock Exchange (incl. IOB, SETS)
	LSE Turquoise MTF
	Xtellus Capital Partners
	Citi Group
	Itarle AG
	Is Yatirim Menkul Degerler A.S
	Dom Maklerski Mbanku Spolka Akcyjna
	VTBC as Systematic Internaliser ( <i>Refer to the RDU data for specific Equities</i> )
Listed Derivatives	ICE - Intercontinental Exchange
	CME - Chicago Mercantile Exchange
	EUREX (European Exchange)
Bonds	BLOOMBERG MTF
	MARKIT AXESS MTF
	GFI
	TRADITION
	CONTICAP
	TULLETT PREBON
	ICAP
	BGC
	VTBC as Systematic Internaliser