

# Order Execution Policy

## 1. SCOPE

Sparkasse Bank Malta plc ('the Bank') is licenced by the Malta Financial Services Authority to provide investment services including execution of orders and receipt and transmission of orders for Retail, Professional and Eligible Counterparties.

These services are subject to the requirements of the Markets in Financial Instruments Directive ('MiFID II') which include the obligation of the Bank to take all sufficient steps to obtain the best possible result for its customers. The purpose of this policy is to outline the principles applied by the Bank in meeting this obligation.

This Policy will apply when the Bank provides the following investment services ('services'):

- (a) executing orders on behalf of customers; and
- (b) receiving and transmitting customer orders to third parties on behalf of customers for execution

in respect of the Financial Instruments listed in Section 1.2.

### 1.1 Customers

This policy applies for customers classified as Retail Customers and Professional Customers. It does not apply to customers classified as Eligible Counterparties. However the Bank will act honestly, fairly and professionally and will apply the principle of best execution on a best effort basis when handling orders from Eligible Counterparties. There might be circumstances whereby the Bank considers different factors to achieving best execution, depending on the client categorisation i.e. Retail and Professional Customers.

### 1.2 Financial Instruments

This policy applies in respect of the following financial instruments:

- Equities and equity-like instruments including Exchange Traded Funds
- Fixed Income (Bonds and Money Market instruments)
- OTC (over the counter) Foreign exchange forward exchange contracts (currently only offered to Eligible Counterparties)
- Units in Collective Investment Schemes

## 2. PRINCIPLE OF BEST EXECUTION

For achieving best execution for its customers, the Bank adopts an overarching principle which means that it will take all sufficient steps to obtain the best possible result for customers, taking into account the execution factors, on a consistent basis.

The overarching principle does not mean that the Bank must obtain the best possible result for customers on every single occasion. Rather, it ensures:

- verification on an on-going basis that the execution arrangements work well throughout the different stages of the order handling process
- detection of potential deficiencies
- application of all appropriate remedial actions to such deficiencies.

The Bank shall owe the duty to obtain the best possible result as described in this policy where it deems the client is placing legitimate reliance on it to protect its best interests in relation to pricing and other factors relevant to the order. The Bank will apply best execution obligations in a manner that considers the different circumstances associated with the execution of orders related to particular types of financial instruments. In assessing legitimate reliance the Bank may consider the following factors:

- (a) which party initiated the transaction e.g. whether the order is a result of a personal recommendation issued by the Bank to the customer;
- (b) market practice and the possibility of the customer having “shopped around”;
- (c) the relative levels of price transparency and liquidity in the market and to which the Bank has access to; and
- (d) the information provided by the Bank e.g. price quotes obtained from counterparties and any agreement with the customer.

## 3. BEST EXECUTION CRITERIA

The execution factors are not listed in any particular order of priority. In assessing the relative importance of the execution factors for a specific customer order, the Bank takes into account the information that is available and these execution criteria:

- the characteristics of the customer (including the categorisation of the customer as Retail or Professional);
- the characteristics of the customer order;
- the financial instruments that are the subject of that order; and
- any such other criteria as the Bank considers relevant for that order when applying the overarching principle.

## 4. BEST EXECUTION FACTORS

In applying the overarching principle, the Bank takes into account these execution factors:

- Price ;
- costs payable by the customer as a result of the execution (“transaction costs”);
- speed of execution and settlement;
- likelihood of execution and settlement;
- size of the transaction;
- nature of the transaction;
- type of financial instrument; and
- any other consideration that is relevant to execution of the specific order.

### 4.1 Priority of best execution factors – customer type

**Retail Customers:** In respect of orders by Retail Customers, best execution is determined primarily in terms of total consideration, which is the sum of the price of the relevant financial instrument and execution costs. 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). However for certain orders, execution factors other than the price such as the likelihood of execution and settlement may be given priority.

**Professional Customers:** Whilst price remains a significant factor in respect of orders by Professional Customers, other execution factors such as speed and likelihood of execution and settlement may be considered more important factors than execution costs, particularly when the size of the transaction and/or the speed of execution could have an adverse impact on the outcome of the transaction.

### 4.2 Priority of best execution factors – instrument type

**Equities and equity-like instruments including Exchange Traded Funds:**

For Equity transactions, and equity-like transactions, price, size, the speed of execution and the likelihood of settlement are generally the primary best execution factors. The Bank will direct the order to counterparties which provide the best price at the lowest cost possible taking into account the size of the order and the ability of the counterparty to execute and settle the order on a timely basis. For large volume orders, or illiquid stock, however, execution factors other than price including speed and likelihood of execution become more important.

#### Fixed Income:

For Fixed Income transactions, the price and the size of the transaction are typically the primary determining factors given the nature of the securities, but also depending on the liquidity of the instrument at the time of execution.

#### Foreign Exchange Forward Exchange Contracts:

The main factors for ensuring best execution in relation to forward exchange contracts is the price, the size of the transaction and the speed of execution.

When dealing in foreign exchange forward contracts, since these are executed over-the-counter ('OTC') and are bespoke agreements with counterparties, the Bank has to also consider the daily netting limits set up with each counterparty and execute accordingly, even if this may cause the Bank to deviate from executing the best rate available on the market at the time of execution.

To conclude, it is important to note that some factors may be more crucial than price itself in obtaining best execution on a client by client basis or under certain specific circumstances. For example, execution speed, likelihood of execution and likelihood of settlement for the specific size and characteristic (e.g. asset class, instrument type, instrument liquidity, execution venues) of the order may be more important than transaction costs and price. Another consideration might be on market impact and any other implicit transaction costs, which may be given priority over immediate price and cost consideration when looking at the total consideration, when dealing for example in an illiquid financial instrument.

#### Units in Collective Investment Schemes:

Transactions in units in Collective Investment Schemes are concluded at the Net Asset Value (NAV) determined by the Scheme at the time the transaction takes place. The key execution factor is the timing of the execution in order to meet the next valuation point. If either the Bank or its counterparty would need to open a relationship with the Transfer Agent, there could be delays in the execution since a due diligence process on the Transfer Agent is required. Under such circumstances the next available NAV may not be guaranteed.

## 5. EXECUTION VENUES

The Bank is not an execution venue itself but it uses a number of execution venues to execute customer orders or to which it transmits orders for execution. Transactions in foreign fixed income securities are executed with counterparties on a Multilateral Trading Facility. Orders in local (Maltese) financial instruments and foreign equity and equity-like instruments are routed through brokers. The Bank does not route orders in such a way as to discriminate between brokers/intermediaries/counterparties and the Bank shall not receive any monetary or non-monetary benefits from any execution venue that would infringe its policies on conflicts of interest and inducements.

When the Bank routes the order to a broker it has best execution obligations in so far as making sure that the right broker is selected for that particular order. The Bank places a degree of reliance on that broker to achieve best execution. In such instances the Bank seeks reasonable assurances from third party brokers that they will provide best execution according to a) the Bank's status/MiFID Classification as their client, b) the nature of the orders and c) the extent applicable under the broker's execution policy or contractual obligations.

The list of the most commonly used execution counterparties/brokers is attached as Appendix I.

The list of counterparties may change from time to time when the Bank deems it appropriate to remove/add counterparties to ensure it continues to meet its best execution obligations consistently.

### 5.1 Arrangements with counterparties, brokers and transfer agents

Prior to establishing a relationship with a broker, counterparty or transfer agent, the entity is subject to a due diligence process undertaken by the Network Management Team to ensure that such venue will act honestly, fairly and professionally when handling orders. The Bank ensures that, as much as possible, as a minimum, it receives the level of protection afforded to Professional Customers under MiFID or an equivalent level.

## 6. SPECIFIC CUSTOMER INSTRUCTIONS

Where a customer gives a specific instruction as to the management and/or execution of an order, for example by specifying a market or execution venue, the relevant part of that order will be completed in accordance with those instructions, subject to adherence to the Bank's policies and procedures. The fact that the customer has given specific instructions which cover one part or aspect of an order, will not be treated as releasing the Bank from its best execution obligations in respect of any other parts or aspects of the customer order that are not covered by such specific instructions.

By providing specific instructions, a customer may prevent the Bank from taking the steps that it has 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.

## 7. ORDER HANDLING

### 7.1 Execution of Orders

The Bank does not execute customer orders on its own account. Execution takes place either through the Bank acting as an agent for the customer or the Bank acting as riskless principal.

Agency execution takes place when the Bank receives an order from a customer and directly executes that order with the execution venue for and on behalf of the customer. The Bank engages with counterparties to source quotes and negotiate prices on behalf of the customer. This method of execution is generally applied for transactions in foreign Fixed Income financial instruments with the transaction being concluded on a Multilateral Trading Facility.

The Bank also acts as an agent when it transmits an order to a broker or transfer agent for execution as in the case of equity, equity-like instruments, units in collective investment schemes and all types of securities issued by Maltese issuers.

When, in exceptional circumstances, it is not possible to conclude the transaction on an exchange, it is concluded 'Over the Counter' (OTC). When customers provide their consent to the Order Execution Policy (refer Section 8), they also provide their consent that, in relevant circumstances, execution of orders may be concluded outside a trading venue.

The Bank acts as riskless principal when it receives an order from a customer and it executes that order with the counterparty on a back-to-back principal basis, such that the Bank is a counterparty in the transaction but it is 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 the Bank makes no profit or loss, other than a commission, fee or charge for the transaction in accordance with the applicable fee schedule. This method of execution is applied for foreign exchange forward contracts. Execution of foreign exchange forward contracts is concluded OTC since the agreements have bespoke terms agreed between the Bank and the customers/counterparties.

When dealing with customer orders in units in Collective Investment Schemes, the order is always executed with the Transfer Agent of the Scheme, either by placing it through a counterparty via a trading platform, or directly with the Transfer Agent.

#### 7.1.1 Request for quotes

For transactions in Fixed Income Securities, in order to achieve best execution, counterparties are selected by operating on a request for quote (RFQ) basis. Quotes are sourced through electronic trading platforms and when these are not available for the specific financial instrument, a direct RFQ is made to a counterparty or a few counterparties. In certain circumstances, making a request for quotes to several counterparties may not be possible since it can lead to false signals to the market and restricting the number of quotes will achieve a better result for the customer.

Customers may request the Bank to obtain quotes for transactions in Fixed Income Securities. Since it does not deal on its own account, the Bank does not issue quotes. The quotes provided to customers are indicative and are those obtained from counterparties. Given that prices change quickly, the Bank has to ensure that the price quoted is not manifestly out of date.

When dealing in foreign exchange derivatives, the Bank obtains quotes from the counterparties with whom International Swaps and Derivatives Association ("ISDA") arrangements are in place. The fairness of the price is checked against prevailing forward rates available in the market.

## 7.2 Routing of Orders

When the Bank does not execute the order directly on a Multilateral Trading Facility, it transmits the order to or places the order with another entity for execution. This is mostly the case for processing trade orders in foreign Equities and Exchange Traded Funds and Maltese securities.

### 7.3 Order Processing

The Bank has procedures for order processing which include the execution arrangements employed to obtain the best results in accordance with this policy.

When processing trade orders the Bank ensures that it acts honestly, professionally and in the best interest of customers. In order to avoid conflicts of interest, the Bank does not prioritise processing of its own orders or staff orders. Orders are carried out sequentially in accordance with the time of receipt irrespective as to whether they are customer orders or Bank/staff orders. Internal procedures require that orders are processed quickly and efficiently without unnecessary delays.

### 7.4 Order Aggregation & Allocation Policy

When the Bank receives an instruction to trade a security on behalf of multiple customers at approximately the same time, the Bank, to the extent possible, may aggregate the orders by adding together the trade orders to purchase or sell the same financial instrument as one large order. The Bank may also aggregate orders for its own account with customer orders in the same financial instrument. The Bank's primary purpose for aggregating orders is (1) to achieve lower overall execution costs, thus enhancing best execution and (2) to achieve a collective beneficial outcome that otherwise would not be possible for individual orders.

However, the Bank will not aggregate orders if it is likely that the aggregation of orders and transactions will work overall to the disadvantage or detriment of any customer whose order is to be aggregated, for example if the aggregation process may lead to a risk of substantial price movement of the financial instrument.

In the event that the aggregated order is partially filled, the shares/units will be allocated among customers on a pro rata basis, according to the amount instructed to trade in each order. If the aggregation included an order placed by the Bank on its own account, the partial fill will be first allocated to customers in order to avoid a conflict of interest.

## 8. CUSTOMER PRIOR CONSENT

A summary of this policy is provided to customers at the portfolio account opening stage. Consent to this policy shall be deemed to be given at the time the customer confirms receipt. Subsequently, in particular following material changes to the policy, consent will be deemed to be given by the customer when a customer transacts after having been provided with a copy of or access to the latest updated version of the policy summary.

## 9. REPORTING

On an annual basis, in accordance with regulatory requirements, the Bank publishes data on the top five execution venues and brokers used, on its website [www.sparkasse-bank-malta.com](http://www.sparkasse-bank-malta.com).

## AUGUST 2022

APPENDIX I

	Market	ETFs ("Exchange Traded Funds")	Equities	Fixed Income	CIS ("Collective Investment Schemes")	Derivatives ("Foreign Exchange Forward Contracts")
StoneX Financial Europe S.A.	Foreign	RTO*	RTO			
VTC Europe BV	Foreign	RTO	RTO			
Saxo Bank AS	Foreign	RTO	RTO			
Hogg Capital Investments Ltd	Local		RTO	RTO		
Bank of Valletta plc	Local		RTO	RTO		
Bloomberg Multilateral Trading Facility	Foreign			Execution		
FundSettle	Foreign				RTO	
Raiffeisen Bank International AG	Foreign				RTO	Execution
Goldman Sachs International	Foreign					Execution