

# Policy

## *Best Execution*



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## 1. Document history

<b>Revision Number</b>	<b>Date of Approval</b>	<b>Developments</b>	<b>Author(s)</b>
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1.4	16/08/2018	Final draft	Luiz Teixeira (BBE)
1.5	28/02/2019	Review of the order aggregation and order allocation policies	Luiz Teixeira / Claudia Pletschette (BBE)
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2.1	19/11/2020	Review to comply with auditors' recommendations	Claudia Pletschette
2.2	26/03/2021	Review to change topics: Type of orders and List of Brokers	Claudia Pletschette
2.3	04/03/2022	Annual review including new reg. CSDR	Claudia Pletschette
2.4	27/03/2023	Annual review and removing Quintet Luxembourg Private Bank as a Broker for Equities and ETFs	Claudia Pletschette

## 2. Purpose of the Best Execution and Orders Handling Policy

The purpose of this Policy is to set out the guiding principles on how Banco Bradesco Europa S.A. (the "Bank" or "BBE") manages – receives, transmits and executes – trade orders on behalf of clients, including the factors that can affect the timing and the way in which the Bank handles buying or selling financial instruments.

As per the relevant laws and regulations (MIFID II), the bank is required to take all sufficient steps to obtain the best possible result when executing client trade orders with, or transmitting trade orders for execution on behalf of its clients, considering execution factors set out herein.

This Policy therefore provides information on BBE's order execution policy with respect to Best Execution and is a part of the framework designed by the Bank to promote and preserve the integrity of the markets and to act honestly, fairly and professionally in accordance with the best interests of its clients.

This Policy has been provided, and is available upon request, to clients so that they can make an informed choice on whether to use the Bank's services.

## 3. Legal and regulatory framework

European level:

- Directive 2014/65/EU: articles 24, 27 and 28 (amongst others)
- Delegated Regulation 2017/565

Luxembourg level:

- Law of 05 April 1993, as amended;
- Grand-Ducal Regulation of 13 July 2007, relating to organisational requirements and rules of conduct in the financial sector
- Circular CSSF 07/307, as amended;
- Law of 30 May 2018, as amended.

## 4. Scope

The Policy is subject to the General Terms and Conditions and other relevant contractual agreements governing the relationship between the Bank and clients.

The Policy applies to Retail and Professional clients, as defined by the applicable rules, but does not apply to Eligible Counterparties.

The Policy applies to reception, transmission and execution of trade orders received by the Bank from clients in relation to financial instruments.

## 5. Execution Factors

When executing an order, the Bank takes into account the execution factors in the following order of importance:

- i. Nature of the Client (retail or professional)
- ii. Total Consideration (including price of the financial instrument and costs for executing the customer's order)
- iii. Size
- iv. Likelihood of Execution and Settlement (execution – this is the probability that the bank is able to execute the customer's order; settlement – the bank expect the transactions executed for the customers to be settled in a good time)
- v. Speed (in which the bank can execute an order)

The speed of the execution and the nature of the client are considered as secondary considering that today BBE's clients are retail clients mainly and professional clients will be acting on behalf of retail clients. The monitoring, which is described in section 13 will be done accordingly.

In the case of orders that, because of their size or type, may have an impact on the prevailing price of the financial instrument or the markets on which it could be executed, other factors may take precedence to ensure the prompt execution of the order. The speed or likelihood of execution or settlement may take precedence if there are significant differences in these, depending on the execution venue chosen.

Regardless of the legal obligations of following this course of action, the bank adheres to the most stringent standards of integrity and equity in execution of customer's orders. What is more, the bank always takes sufficient steps to obtain the best possible outcome when executing orders for either individuals or professional customers.

Based on the application of these best execution factors and the criteria above, we select the most appropriate venue for executing an order. When it can only be executed in a single venue, the bank will execute the order in this venue.

## 6. Type of orders

The Bank accepts the following standard Orders:

Order type:

- **Market order:** Order executed at market conditions with no prior indication of price. A market order does not include a price limit. It is executed at successive prices determined by the market for the maximum available quantity. Any balance will remain on order on the market until the order is executed, cancelled or expires. Clients are advised to use this type of order for very liquid securities as the execution price cannot be controlled by the originator of the order.
- **Limit order:** This is the most commonly used type of order. Purchases will be executed at a price less than or equal to the limit and sales at a price higher than or equal to the limit. This order may not be executed if the limit is off market or it may be executed in several stages if the market is not sufficiently

liquid. Execution is not, however, guaranteed, even if the limit is reached. When one order is placed with criteria that is out of market (mainly regarding the price), the Execution Desk could decline it, under its discretionary evaluation.

Validity:

- **Day order:** the order is only valid for that day. If it has not been executed at the end of the trading session, it will automatically lapse into the expired status. When a “day” order is partially executed, the remaining amount of the order will expire automatically at the end of the trading session. If you want the remaining part to be traded, the Client have to enter a new order. In this case, transaction fees will be charged again.
- **Good-Till-Date (“GTD”) order:** a GTD order will remain in force until executed, cancelled by the client that placed the order or until the order expires at its designated time-in-force date (unless expressly requested and justified, GTD orders will have maximum validity of 30 calendar days).

Unless otherwise specified, the bank considers orders to be Day orders.

## 7. Specific Instructions from a Client

When a Client gives a Specific Instruction for the execution of an Order (e.g. to execute an order in a given place), the Order will be executed according to the terms of this Specific Instruction. When a Client gives specific instructions, the Bank may not be able to take the necessary measures described in the Policy to obtain the best possible result for the execution of related Orders. If the Specific Instructions lead to a partial application of the Policy, the latter will apply to the aspects related to the execution of the Order that are not covered by the Specific Instructions.

Specific Instructions received from clients may prevent best execution. The bank will only be responsible for best execution on those factors not instructed by the clients.

## 8. Top 5 Execution Venues and RTS 28 Summary analysis

Once a year, for each category of Financial Instruments, the Bank undertakes to draw up and publish the ranking of the top five execution platforms based on the volume of trades that it has executed on Clients Orders in the previous year, with segregated information for retail and professional clients. This ranking and information will be published on the Bank’s website.

Also, once a year, the Bank undertakes to draw up and publish the information on the Top Five Execution venues and brokers and the execution quality obtained (RTS 28 Summary analysis).

More details are available on the Execution Desk procedure.

## 9. Criteria for selection of Execution Venues and Brokers

Execution venues and Brokers are selected based on customer due diligence procedures applied by the Treasury & Execution desk (department responsible for the execution of trade orders on behalf of clients) and reviewed on a yearly basis. The execution criteria described in section 4 are used in order to select the Execution venues and Brokers. The choice of Execution venues and Brokers by the bank for each type of asset class is driven by the type of client and order, the financial instrument’s properties and the conditions stipulated by the Execution venues and Brokers to which the order can be sent.

Generally, price and costs together will be the most important factors obtaining Best execution, but this will be tempered, for example, where the size of the trade is large compared to the liquidity of the instrument, and therefore the Execution Venue may play a more important role.

Execution venues and Brokers selection are approved by the Authorized Management of the bank based on the regulatory status of the venue and broker and the factors set out to achieve best execution. Compliance reviews the approval process and monitors whether the venues and brokers comply with the relevant laws, regulation and best execution criteria. The onboarding of new counterparties follows the bank Onboarding Procedure.

Execution venues and Brokers are used for both retail and professional clients. When executing a transaction on behalf of Clients, the bank will consider the different execution factors in the context of the Client's investment objective and strategy to form a suitable execution strategy. Under this execution strategy the bank will take sufficient steps to obtain the best possible result for its Clients by employing appropriate aspects of the execution arrangements.

An execution strategy may result in the bank routing the Client's order to one or more Execution venues or Brokers. The execution strategy employed will consider the bank knowledge of the relevant instrument and the market in which the order is being executed, including, where applicable, any information or specific instruction that the Client has provided the bank with.

The following table provides more details on this:

- 1) Money Market instruments, Bonds, Convertible securities: Bloomberg MTF – ALLQ or OTC (over the counter) and Market Access (EU MTF)
- 2) Equities and ETFs: Bradesco Securities – New York (US Markets) and BNY Mellon \_ Pershing Limited – U.K. (Global Markets) via Bloomberg EMSX or OTC (over the counter).
- 3) Investment funds: the transfer agent through ALLFUNDS
- 4) Forex (FX): Banco Bradesco Europa S.A.
- 5) Structured products: Banco Bradesco S.A. (Brazil or Grand Cayman Branch) and other financial institutions that have been duly approved by the Bank.

For financial instruments under 1, 2 and 4 described above, given the nature of these securities, liquidity and price are the main determining factors, as well as speed, commissions (when applicable) and size of transaction. The bank uses various tools (i.e. Bloomberg Blot and Bloomberg BTCA) to retrieve quotations from competing venues or counterparties. Quotations are recorded and trades concluded through the venues that provide the best price, considering the counterparty's ability to provide settlement and competitive spreads as well as liquidity.

For financial instruments under 3, the bank generally concludes transactions in mutual funds with the fund provider at the official price (NAV).

For financial instruments under 5, the execution venues for derivatives are selected based upon additional factors such as ability to conclude the overall transaction, the credit quality of a counterparty, the current exposure to the counterparty, overall structuring capability and relevant ISDA documentation in place. OTC derivatives trades may include a combination of a security element and an OTC derivative overly that relates to an underlying instrument. These trades are generally combined in one order. In the majority of cases due to the range of services and products offered by the bank and client demand the counterparty to the OTC Financial derivative instruments will be entities within the Bradesco group.

The execution framework intends to guarantee the most advantageous execution style in terms of total consideration, size, likelihood of execution and settlement, and execution speed for the client, based on the following criteria:

- the authorized list of brokers available to the bank consists only of high-grade financial institutions with impeccable reputations in the market place;
- the Bank has established that routing orders to these brokers will guarantee best total consideration (instrument price & brokerage costs) for the final Retail client;
- their involvement in the corresponding market place ensures a higher execution and expedient probability at a fair market price.

## 10. Opening Hours

The Bank accepts receiving orders on financial instruments from 10am to 7pm (Luxembourg Time). Orders received by the Execution Desk at 7pm and after will be processed on the following business day.

The Bank cannot handle orders when it's a holiday in Luxembourg.

## 11. Instruments Traded Outside a Trading Venue

As general rule, the Bank does not execute orders outside a regulated market, or equivalent (e.g. MTF). However, due to market conditions, such as low liquidity, and if it is in the best interest of the clients, the Bank may execute orders outside a regulated market to have access to additional liquidity sources

Hence, some financial instruments are normally traded directly against a counterpart (OTC), for example:

- money market instruments, including Treasury Bills;
- bonds and convertible securities;
- instruments created by the Bank or an intermediary (e.g. credit linked notes, time deposits in BRL).

For these instruments, the pricing is on the market value or the value of the underlying assets and considers the cost of the Bank's service offering when executing deals for customers. The Bank checks the fairness of the price proposed to the client by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

As executing orders outside a trading venue may give rise to additional risks from executing outside regulated venues, such as counterparty risk, the client may request additional information from the Bank regarding the consequences of orders being executed outside a trading venue.

## 12. Aggregation and Allocation of Orders Policy

In general, to avoid any impact on execution quality, the Bank does not aggregate client orders when executing orders. Any order from any client, regardless whether retail, professional or institutional client, is sent individually to the execution venue.

However, exceptionally due to extraordinary market conditions, in case of high (unusual) volatility and/ or lack of liquidity, or in case of orders received below the standard minimum lot, but if only in the best interest of the clients, in no way prejudicial to all clients whose orders have been aggregated, the Bank may aggregate orders from different clients.

The Bank does not aggregate client orders with his own orders.

### *Allocation of Orders Policy*

Orders are sent to the relevant market individually. There are only three potential outcomes: full execution, partial execution or full non-execution. In general, the following rules apply to orders allocation therefore:

Financial instrument	Execution rule	Remaining
Fixed income (bonds)	Execution of the exact amount requested by the client however always respecting the minimum piece/ increment of the particular bond	If the Bank is not able to fully execute the amount requested by the client, because of lack of liquidity, for instance, the Bank will call back the client to request instructions about the execution. However, if a client order is partially executed due to market conditions (liquidity, size, price etc), client will be informed about the partial execution and will be asked whether the remaining quantity should be executed, the respective conditions, or dropped.
Equities and ETFs	Execution of the exact amount requested by the client	Partial execution is possible on limited orders, depending on market conditions.

Investment funds	Execution of the exact amount requested by the client	
Structured products		For structured products, the execution desk will apply a book building process where it will gather orders from Bankers during the session and execute all in aggregate at the end of the session. Due to the nature of these products, aggregate the orders for a single execution provides a better pricing condition in favour of the client. The execution desk reserves the right to change the execution method and execute orders individually if necessary due to market volatility or market events in order to provide the best execution for the clients.

### 13. Fees for Execution

The clients will be provided with the total consideration of the order executed, including the price of the transaction and the execution fee. Details on the fees received by the BBE are mentioned inside the Fee Schedule of the Bank. Any changes to the fees mentioned in the Fee Schedule shall be notified by any means of communication authorised in the General Terms and Conditions.

### 14. CSDR New regulation - European Central Securities Depositories Regulation

The European Central Securities Depositories Regulation (EU) No 909/2014 ("CSDR") on improving securities settlement in the European Union and on central securities depositories ("CSD") entered into force on 17 September 2014. The aim of CSDR is to harmonise certain aspects of the settlement cycle and settlement discipline and to provide a set of common requirements for Central Securities Depositories operating securities settlement systems across the EU. In the context of this regulation, the CSDR settlement discipline provides for a penalty mechanism where transactions in financial instruments referred to in Article 5(1) are not settled on the intended settlement date. Cash penalties apply to participants that cause settlement fails and are distributed to the participants affected by the settlement fails. CSDR Settlement discipline will be effective as of 1 February 2022. The mandatory buy-in regime was postponed until 02 November 2025.

The Bank will not charge any penalty resulting from the delay on the trade settlement to the clients and will absorb the costs through its P&L.

### 15. Monitoring and Review of the Policy

Banco Bradesco Europa will monitor the effectiveness of the execution arrangements and policy in place on a regular and on-going basis. The objective is to identify any deficiencies and where appropriate correct these deficiencies. Banco Bradesco will therefore engage in two activities:

- (1) *On a regular basis* assess and monitor whether executed transactions complied with this policy and whether the best possible result for the client was achieved based on the criteria used to select execution venues, i.e. Total Consideration, Size, Speed, Settlement risk.



- (2) *On a periodic basis, (at least annually or when there is a material change that may negatively impact the ability of the bank to continue to obtain the best possible result for the execution of its client orders on a consistent basis using the venues listed in this Policy) review the policy and arrangements to ensure that they include all sufficient steps that the bank could be taking to obtain the best possible results for the execution of client orders.*

In order to do this, the bank will use the reporting provided by execution venues in accordance with MIFID II and MIFIR concerning the quality of execution and own analysis/ information gathered. Please refer to the Execution Desk procedure for more detailed monitoring and review measures.

The Compliance Officer of the Bank (the "Compliance Officer") shall be responsible for the:

- a. implementing and maintaining of this monitoring and review in order to independently supervise adherence to the Policy and implement any necessary controls;
- b. providing relevant communication and maintaining the awareness of all relevant persons with regards to best execution;
- c. Clarifying to all relevant persons any doubt over the application of the Policy.

As part of its monitoring activities, the Compliance Officer shall report to the Authorised Management, and the Board of Directors of the Bank, where applicable, the surveillance results of the adherence to this Policy and any suspicious and case of violation identified.

The Authorised Management shall be responsible for implementing the necessary relevant controls and monitor the adherence to the Policy, as part of their day-to-day activities.

The Board of Directors of the Bank (the "Board") shall be responsible for establishing the guiding principles and, on a periodic basis, monitor and challenge their implementation.

## **16. Information provided to the client**

When a client makes reasonable and proportionate requests to the Bank for information about the Policy, about the arrangements taken by the Bank to execute the client's orders in compliance with the Policy and about how the Policy is reviewed, the Bank shall answer clearly and within a reasonable time frame.

Where the Bank executes orders for retail clients, it must provide those clients with a summary of the Policy, focused on the total costs they incur. The summary must provide a link to the most recent execution quality data published for each execution venue listed by the Bank in this Policy.

## **17. Ownership of the Policy**

This Policy is maintained by the Compliance Department and Treasury & Execution desk and is made available to all relevant persons concerned by the provision of investment and ancillary services (e.g. investment, execution of orders and investment advice).

## Glossary

**Aggregation of orders:** The combining of odd-lot or round-lot orders for the same security so that they can be executed at the same time. Aggregation occurs when traders and brokers combine small or unusually-sized trade orders into one larger order.

**Clients:** Clients include current and potential clients (persons in relation to whom the bank has activities to enter into a contractual relationship) of BBE as well as past clients where BBE has remaining contractual obligations

**Compliance Officer:** Business compliance and local compliance officers working in the second line of defence of the bank

**Execution Venue:** means systematic internalisers, market makers and other liquidity providers that have similar functions to Trading Venues (including non-EEA regulated markets and exchanges), or other sources of liquidity including BBE and affiliates, as well as other third-party brokers.

**Eligible Counterparty:** Eligible counterparties are financial institutions, insurers, pension funds and governments. In order to be considered an Eligible Counterparty, the counterparty must comply with the criteria as mentioned in Directive 2014/65/EU of the European Parliament.

### Financial Instruments:

- (1) Transferable securities;
- (2) Money-market instruments;
- (3) Units in collective investment undertakings;
- (4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- (5) Options, futures, swaps, forwards and any other derivative contracts relating 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, a 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).

**MiFID II:** The Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast) and any implementing directives and local regulations.

**MiFIR:** Regulation (EU) 600/2014 on market in financial instruments.

**Order:** An order is an instruction from the Client and accepted by the Bank to buy or sell a Financial Instrument

**OTC (Over the Counter):** OTC is a trading method that indicates that financial market instruments are acquired or sold through private negotiation

**Professional Client:** A professional counterparty is a counterparty that possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. In order to be considered a professional counterparty, the counterparty must comply with the criteria as mentioned in Directive 2014/65/EU of the European Parliament.

**Retail Clients:** A client that is not a Professional Client or an Eligible Counterparty

**Reception and Transmission of Orders:** The bank receives an order from client and passes the order to another entity for execution

**Specific Instruction:** any Client Order received by the Bank and which imposes one or more Execution Factors

**Trading Venue:** Trading Venue means:

- regulated market as a multilateral system operated and /or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in Financial Instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the Financial Instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with Title III of Markets in Financial Instruments Directive (2014/65/EC);
- multilateral trading facility (MTF) as 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 Title II of this Directive;
- organised trading facility (OTF) as 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 this Directive.

**Total consideration:** Total consideration is the price of the financial instrument and the costs related to execution, including all expenses incurred by the client 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