



# Berenberg policy for the execution of orders in financial instruments

(»Execution Policy«)

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## 1. Purpose/Background

This policy sets out how Joh. Berenberg, Gossler & Co. KG (»Berenberg«) ensures that client orders are consistently executed in the client's best interests in accordance with Directive 2014/65/EU (»MiFID II«)<sup>1</sup>.

## 2. Scope

### **Clients**

This policy is intended for retail clients and non-institutional professional clients (elective professional clients), both of which are referred to in the following as the »Client«. It does not apply to institutional professional clients (per se professional clients) or eligible counterparties.

### **Financial instruments**

This policy applies to the execution of orders that the Client issues to Berenberg for the purchase or sale of financial instruments within the meaning of MiFID II.

Spot FX trades and physically delivered commodities (e.g. precious metals) do not fall under the definition of financial instruments. The policy therefore does not apply to such transactions.

### **Asset management**

This policy also applies where Berenberg purchases or sells financial instruments for the Client's account in fulfilment of its duties under an asset management agreement.

### **Type of execution**

#### *Acting as agent*

Execution in this sense means that Berenberg, based on the Client's order, enters into an execution transaction with another party at a suitable execution venue in its own name but for the Client's account. This may include execution outside a trading venue (i.e. outside a regulated market, multilateral trading platform or organised trading facility), provided that this is in the Client's interest and the Client has expressly consented to it.

#### *Acting as principal (fixed-price transactions)*

Berenberg and the Client may also enter into a purchase contract for financial instruments with each other at a fixed or determinable price (a fixed-price transaction). The best execution policy applies to fixed-price transactions only to a limited extent. In such cases, execution in the sense described above will not take place. Instead, Berenberg and the Client will be directly obligated under the agreed contract to deliver the financial instruments and pay the purchase price.

The same shall apply accordingly where Berenberg offers financial instruments for subscription under a public or private offering or if Berenberg and the Client enter into contracts for financial instruments (e.g. option trades) with each other that cannot be traded at a trading venue.

In the case of a fixed-price transaction, the best execution policy applies only to a limited extent. In such cases, the obligations of the Bank and the Client shall be governed directly by the respective contractual agreements. For a transaction of this type, the Bank fulfils its obligation to execute the transaction to the best of its ability by offering a fair price.

### **Execution outside a trading venue**

Where the Client has consented to the execution of orders outside a trading venue, Berenberg may execute orders against its own trading book, with a systematic internaliser or with another liquidity provider. In some cases, execution outside a trading venue may be disadvantageous for the Client, for instance because of the resulting counterparty risk.

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<sup>1</sup> References to MiFID II should be understood as also referring to the national regulations that serve to implement the MiFID II rules.

### 3. Asset classes

Berenberg offers execution for the following asset classes:

#### **Equities and equity-like financial instruments**

This class includes the following financial instruments:

- **Equities** (including ADRs (American Depositary Receipts) and GDRs (Global Depositary Receipts))
- **Exchange traded products (ETPs):** ETFs (Exchange traded funds), ETNs (Exchange traded notes) and ETCs (Exchange traded commodities).

When acting as agent, Berenberg may directly place orders for equities with one or more execution venues or with another investment services firm (e.g. a broker) via a smart order routing system (SOR) in order to obtain the best price for the Client. Using an SOR serves to obtain the best price for the Client for each order across all of the order books of the execution venues used. Execution of an order may be split between several venues. SORs are not used to execute orders for equities that are exclusively listed on German open-outcry exchanges to which Berenberg has access.

In some exceptional cases, Berenberg offers equities and equity-like instruments for subscription or sale (potentially also for redemption) at a fixed or determinable price agreed with the Client (a fixed price transaction). It does so as a systematic internaliser for some equities.

#### **Bonds and debt-like financial instruments**

This class includes the following financial instruments:

- **Bonds:** e.g. government bonds, convertible bonds, covered bonds (Pfandbriefe), corporate bonds.
- **Money market instruments.**

Berenberg executes orders for bonds and debt-like instruments on an agency basis.

In some exceptional cases, Berenberg will offer Clients the option to purchase bonds or debt-like instruments from, or sell them back to, Berenberg directly (a fixed price transaction). Berenberg may also act as a systematic internaliser for some bonds.

#### **Financial derivatives**

Financial derivatives are subdivided as follows:

- **Standardised derivatives** – i.e. exchange-traded derivatives and derivatives traded at other trading venues; and
- **Non-standardised derivatives** – i.e. derivatives not traded at trading venues.

Berenberg offers execution in relation to, inter alia, interest-rate, currency, equity and index derivatives as well as certificates and options.

Berenberg executes orders for standardised financial derivatives on an agency basis.

Berenberg also offers Clients the option of entering into a transaction in financial derivatives – particularly non-standardised derivatives – with Berenberg on individual terms, governing law and existing contracts (a fixed-price transaction).

#### **Funds**

The legal rules on the best execution of orders for financial instruments do not apply to the issue of units in investment funds at the entry price or to the redemption of such units at the exit price in accordance with the German Capital Investment Act (Kapitalanlagegesetzbuch). Berenberg generally executes orders for the purchase or sale of units in investment funds in accordance with the German Capital Investment Act.

#### 4. Execution factors

When executing Client orders for the purchase and sale of financial instruments, Berenberg's primary concern is the total consideration, as determined from the best price and all costs related to execution of the order. Such costs include specifically the fees and charges of the execution venue, clearing and settlement costs and all other costs, charges and fees paid to third parties in connection with the execution of the order.

Since the prices of financial instruments are generally subject to fluctuation and it therefore cannot be ruled out that they may move to the Client's disadvantage during the period after the order is issued, account is also taken of whether it is likely that sufficient liquidity exists for full execution to be achieved on a timely basis. Berenberg takes other criteria into account where they contribute to achieving the best possible result, in terms of low overall consideration, upon full execution. These criteria include, specifically

- Speed of execution, meaning the time taken to execute the order
- Likelihood of execution, meaning the degree of certainty that an order will in fact be executed. This depends on supply and demand and is highest at execution venues with high liquidity
- The likelihood/certainty of settlement, meaning the likelihood/certainty that a trade will be (fully) settled
- The size and nature of the order, which affect the execution price
- Other factors, such as the effect of the order on the market and liquidity at the execution venue.

#### 5. Execution venues and factors affecting choice of venue

Client orders may regularly be executed via a variety of execution routes or at a variety of execution venues, as follows:

- Regulated markets in Germany and abroad (EU and non-EU countries),
- Multilateral trading facilities (MTFs),
- Systematic internalisers (SIs),
- Organised trading facilities (OTFs),
- Liquidity pools,
- Via other investment services firms (brokers, market makers, other liquidity providers or entities performing a similar function in a third country).

An up-to-date list of execution venues can be found on Berenberg's website at [www.berenberg.de](http://www.berenberg.de).

When choosing the specific venues for the execution of Client orders for the purchase and sale of financial instruments, Berenberg's primary concern is again the total consideration, as determined from the best price and all costs related to execution of the order.

Additional factors are also considered when choosing execution venues. These criteria include, specifically

- **Liquidity of the venue:** This factor enables Berenberg to select and execute at liquid, cost-effective venues. Other venues may offer prices which improve on those offered by our existing venues or the ability to trade at significantly higher volumes at similar prices to those offered by existing venues. We expect liquidity and price to be closely (but not exclusively) associated with the market share a venue commands.
- **Credit and settlement risk:** Berenberg will generally not select a venue if it is unable to determine the obligations (of Berenberg and the counterparty) to settle a transaction and to resolve failed settlement.
- **Market microstructure/operating model:** It is important that the technical infrastructure of the venue is resilient and reliable, so that stability for smooth trading is assured. Furthermore, the venue should work in a way that benefits, rather than hinders, our ability to achieve best execution. The same applies for the rules of the venue and its fee structure.

- *Performance/Speed of access/Likelihood of execution:* This includes but is not limited to, the following factors: low latency for speed and order controls, liquidity, fill rates, price improvements etc. and the likelihood of execution/completion of the transaction.
- *Other qualitative factors* (e.g. clearing systems, emergency safeguards).

If it appears that the size of an order calls for non-standard execution, Berenberg will execute the order in the best interests of the Client based on criteria relevant to the nature of the transaction. Where a purchase is not executed in Germany, the existing depositary and associated execution venue from the initial purchase are always used.

## 6. Transmission of orders

Where Berenberg has insufficient access to an execution venue, it will not execute the order itself, but will pass it on for execution to another suitable investment services firm (e.g. a broker), subject to compliance with the terms of this best execution policy. The investment services firm will then execute the orders in accordance with its own execution policy and the relevant national regulations. Berenberg will provide the Client with more details on which investment services firm is executing or has executed an order on request.

## 7. Aggregation of Client orders

Berenberg may combine Client orders with orders of other Clients to execute them as aggregated orders (»block orders«) if, having regard to the order volume, security type, market segment, current market liquidity and price sensitivity of the financial instrument to be traded, it appears to be in the interest of the affected Clients to do so and it is unlikely that aggregating the orders will be disadvantageous overall. Aggregation may be disadvantageous for an individual order, e.g. if the likelihood or speed of execution is reduced. Berenberg will only aggregate orders if it is unlikely that individual Clients will be disadvantaged. Aggregated orders will be assigned in due order and in accordance with the order assignment policy.

## 8. Specific Client instructions

The Client may give Berenberg specific instructions for execution that deviate from this best execution policy. Specific Client instructions take precedence over this policy. In such cases, Berenberg will not be obliged to execute the order so as to obtain the best possible result in accordance with this best execution policy, or may be prevented from so doing. Where the Client issues a specific instruction that deviates from this best execution policy and specifies a particular execution venue, local technical or legal circumstances at the venue may mean in some cases that an order is nevertheless executed at a different venue to the one specified by the Client.

## 9. Alternative execution in individual cases

If Berenberg is unable to execute an order in accordance with this best execution policy due to exceptional market conditions, market disruption or system disruption, it may execute the order in an alternative way in the interests of the Client. In such cases, however, Berenberg must still comply with any specific Client instructions.

## 10. Review of the best execution policy

Berenberg will review this best execution policy at least once a year. A review will also be carried out whenever Berenberg becomes aware of a material change that affects its ability to execute orders at the intended venues consistently in the best interests of the Client. A material change in this sense means a significant event with potential impacts on factors affecting best execution, such as cost, speed, likelihood of execution and settlement, size, nature or any other aspect relevant to the execution of an order.

Berenberg shall also assess the extent to which the execution venues and investment services firms to which Client orders are transmitted for execution deliver the best possible results. The assessment of venues will take account of published data on the quality of execution of transactions, while the assessment of investment services firms will take account of reports published by the top five venues by trading volume.

The current version of the best execution policy is published on Berenberg's website at [www.berenberg.de](http://www.berenberg.de).



## 11. Summary

Berenberg takes suitable precautions to enable Client orders to be executed in the best interests of the Client.

Berenberg's primary concern when executing customer orders and selecting execution venues is the amount of total consideration.

Account is also taken of additional subsidiary factors that contribute to obtaining the best possible result.

The Client may give Berenberg specific execution instructions that deviate from this best execution policy.

Berenberg will review the best execution policy at least once a year. A review will also be conducted whenever a material change occurs.

The assessment will take account of the regular data that execution venues and investment services firms are required to publish.

Berenberg will also publish the names of the top five execution venues by trading volume on [www.berenberg.de](http://www.berenberg.de), together with information about the quality of execution achieved.