



# Best Execution Policy

**Bankinter Luxembourg S.A.**

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## **1. Introduction**

In accordance with the Markets in Financial Instruments Directive 2014/65/UE and implementing regulations (hereinafter referred as "MiFID II"), and the Luxembourg legal and regulatory framework in force, an investment firm must take all reasonable steps to obtain the best possible result for its client when executing orders, or placing orders with other entities to execute them, taking into account a range of execution factors - such as the price, liquidity, cost, speed, probability of execution and settlement, size and the nature of the order or any other considerations (hereafter referred as "Best Execution").

The Best Execution Policy (hereinafter referred as "Policy") describes the appropriate measures adopted by the Bank to systematically obtain the best possible result when executing its client's orders, always acting under general principles of honesty, impartiality and professionalism. For this purpose, several factors among which the price, the costs, the speed and probability in the execution and liquidation, the volume and the nature of the operation, and any other relevant element for the execution of the order will be taken into account.

The Bank will inform its clients of the Best Execution Policy and will obtain their acceptance in advance.

Moreover, and in compliance with current regulations, this Policy will be communicated to clients, revised and updated on a regular basis.

## **2. Scope**

### **2.1 Objective Scope**

This Policy applies only to the financial instruments defined under MiFID II Directive and implementing regulations.

The Best Execution policy applies to all orders executed by the Bank for its clients on a discretionary basis, meaning that these are orders where clients are legitimately relying on the Bank's expertise to protect their interests to achieve the best possible result.

The Policy also applies to the execution of orders derived from the discretionary portfolio management and investment advisory services.

The Policy does not cover the following order types:

- a) Orders with specific instructions –the Bank will have to execute orders according to specific instructions of the client. In some cases, this can lead to results that may not be in accordance with present Policy.

When a client communicates to the Bank specific execution instructions, the Bank must accept them and proceed accordingly. Therefore, it will be considered that the client renounces to the application of the present Policy for the execution of its order.

Among others, specific instructions are as follows:

- The selection of an execution venue;
  - Certain types of stop losses, which are executed according to a specific price;
  - Currency (when the instruments are traded on different currencies);
  - Any type of execution strategy carried out by the client expressly mentioning the specific period in which he can execute the order, the volume or volume percentage to be executed in each session or the price to be obtained in the execution.
- b) Orders for which the Bank acts as a counterparty (called a "request for quote").
- c) Orders related to the Bank`s own account.

The Bank reserves the right to accept orders with certain specific instructions.

## **2.2 Subjective Scope**

This Policy does not distinguish between retail and professional investors, being applicable to both of them. This Policy will not be applicable to the clients classified as eligible counterparties, unless they ask specifically to be classified as professional or retail clients.

## **3. Definition of "Best Execution"**

The Bank will take all sufficient steps to obtain the best possible result for the Client taking into account as previously mentioned, price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

## **4. Selection of intermediaries (brokers)**

Bankinter, in order to act in the best interest of the client, can place the order in one or more intermediaries (brokers). Places of execution of orders may be the following: (i) regulated markets; (ii) a Multilateral Trading Facility (MTF) or (iii) a systematic internaliser.

The main factors used to select an intermediary (broker) are the following:

- Price – the price at which a financial instrument is executed;
- Liquidity – skill to quickly execute transactions with no significant impact on the market;

- Execution costs for the client – including implicit costs such as eventual market impacts, explicit external costs, fees and commissions, among others;
- Speed of execution – the time that takes the execution of the client's transaction;
- Likelihood and depth of the execution and settlement – the likelihood that the Bank can complete the client's transaction, assessment of the depth of the market's order portfolio;
- Order size – client's order size to be executed vs market depth and how can this affect the execution price;
- Type of order – nature of the transaction

Regarding retail clients, the Bank will determine the best result in terms of total compensation, composed by the financial instrument price and the costs in relation with execution, such as execution and settlement fees and other fees paid to third parties involved in the order execution.

The best possible result shall be determined, subject to the availability of liquidity, based on the total cost (price of the financial instrument plus costs related to the execution, namely the fees related to the place of execution, the cost of clearing and settlement and any other fees that may be paid to third parties involved in the execution of the order).

In order to determine the best possible result, the Bank must assess and compare the results that the client would have obtained in every available intermediary (broker), considering the fees and commissions that the Bank would assume for the order execution at each available intermediary (broker).

As long as price, costs, size, speed and execution likelihood are generally key factors for their consideration in order to achieve the best possible result, the total value of the transaction may be affected by other factors that the Bank considers relevant for the order execution. The relative importance of every factor is determined based on the following criteria:

- The characteristics of the client, including his/her classification;
- The characteristics of the client's order;
- The characteristics of the financial instruments referred in the order;
- The characteristics of the intermediaries (brokers) or trading venues.

In order to select the intermediaries (brokers), the Bank will take into consideration the factors contained on the Appendix I.

Currently, the intermediaries (brokers) that the Bank will rely on for place its clients 'orders are listed on Appendix II.

The changes made to the elected list of intermediaries (brokers) will not be expressly communicated to customers once are considered as a "minor change". The update list of the intermediaries (brokers) will be published in Bankinter' public website through the update version of the present Policy.

When the Bank, acting as an intermediary of orders, delegates in a third party the execution of an order, will ensure that the third party acts according to its Best Execution Policy.

### **5. Instruments to which the Best Execution applies**

1. Shares and related instruments;
2. Fixed-interest securities (such as bonds, corporate bonds, treasury bonds, preferred stock, certificates of deposit);
3. Derivatives (such as futures and options);
4. Complex products (such as funds of hedge funds, high yield bond portfolios);
5. Investment Funds (such as mutual funds, money market, hedge funds).

This being said, for each of the financial instruments mentioned above the Bank has determined how orders can be executed so that the principles of the order execution policy are fulfilled:

#### **5.1 Shares and related instruments**

Transactions in shares are in principle executed on regulated markets (such as Euronext, BME, Xetra, among others). If shares are listed on more than a Stock Exchange the order will be executed on the regulated market where they have their main listing. The Bank gets direct access to a number of stock exchanges through different services providers. Using those providers the Bank gets also access to MTF's (multilateral trading facility) and execution venues around the world.

#### **5.2 Fixed-income securities**

A large proportion of the transactions often take place outside of the regulated markets, between professional parties. For each order, the Bank determines whether the best price can be achieved on a regulated market or via a professional counterparty selected and accepted by the Bank.

### **5.3 Derivatives**

Derivative transactions are executed on regulated markets. The Bank could get direct access to a wide variety of derivative products through their intermediaries. This being said, as of today, the bank does not provide access to retail clients to this segment of activity.

### **5.4 Complex products**

The conditions for the purchase and sale of structured products without a stock exchange listing are set out in the prospectus of the product concerned. To settle this type of products the Bank will contact the provider of the product concerned. A large proportion of the transactions often take place outside of the regulated markets (OTC), between professional parties. These transactions are bilateral ones and are out of scope of the present Policy.

### **5.5 Investment funds**

Closed-end investment funds with a stock exchange listing are executed on a regulated market or platform.

If possible, the Bank will settle open-end investment funds, directly or through the intervention of a service provider that will contact directly the transfer agent of the investment fund concerned.

The transfer agent normally offers the opportunity to trade at the net asset value ("NAV"). Frequency of NAV calculations for subscriptions and redemptions is set on the fund's prospectus.

When the Bank delegates in a third party the actual execution of a transaction will ensure that the third party will act according the Bank's Best Execution policy.

Please see Appendix 1 and 2.

## **6. General Principles of orders' execution**

The Bank has procedures and systems in place, which guarantee the reception and transmission of the orders, so that they can be executed on a timely manner. The Bank fulfill the following conditions when managing their clients' orders:

(i) that the orders received and transmitted are duly registered and attributed rapidly and accurately;

(ii) the orders are transmitted sequentially, unless it is not permitted by the characteristics of the order, the conditions of the markets or the clients' interest, in which case the orders can be partially executed;

(iii) retail clients will be promptly informed about any difficulties found when transmitting and/or executing the orders through their private bankers or managers.

Bankinter will not misuse the information relating to pending clients' orders and will make all reasonable steps to avoid such situation by any of its relevant persons.

### **6.1 Validity of Orders**

Orders transmitted by the customer shall be valid for the period indicated, but may not exceed the rules established by each regulated market.

### **6.2 Orders' Handling**

The Bank supports the principle of sequentially when executing client's orders if the market allows it, if no other instructions have been provided by the client and also if it is feasible in terms of settlements.

### **6.3 Evidence of the execution**

The Bank will carry out the processes defined under the present Policy and therefore ensures that the execution of its client's orders are carried out as defined in accordance with what is established in the previous sections. The Bank will provide to clients all the information that they request related to the execution of their orders. Among other aspects, the Bank will provide an evidence confirming that the order has been executed through the intermediary (broker) defined, including, where appropriate, the specific instructions that the client might have indicated, including a prominent warning that any specific instruction from a client may prevent the Bank from applying the Best Execution Policy and, thus, to obtain the best possible result for the execution of those orders.

If the Bank executes clients' orders over the counter (OTC transactions), outside regulated markets and multilateral trading facilities, it will provide an evidence that it has checked the fairness of the price proposed to the client, by gathering market data used in the estimation of the price of such investment product and, where possible, by comparing with similar or comparable products.

#### **6.4 Orders' Accumulation**

The Bank will execute accumulated orders from clients, when the following conditions are met:

- (i) When it is unlikely that the accumulation of these clients' orders can be detrimental for one or more clients' order;
- (ii) The Bank has to inform every client whose order can be accumulated, that such accumulation could affect an specific order;
- (iii) That the Bank applies an orders' allocation procedure which foresee a fair assignment of accumulated orders and shows how the volume and price will determine such assignments and the treatment of the partial executions.

The Bank assures that when aggregating an order with one or more other client orders and the aggregated order is partially executed, it will allocate the related trades in accordance with its order allocation procedure.

#### **6.5 Cost of the transaction**

When the fees applied to a client are different depending on the intermediary (broker), the information to be provided to clients, upon request, shall be sufficient in order to allow them to understand both the advantages and the disadvantages of the choice of one intermediary (broker) over another.

### **7. Acceptance of the Policy**

As established at MiFID legal and regulatory framework, it is necessary to collect the acceptance of all clients to the present Policy, prior to any order being executed. The Bank will obtain such acceptance from their clients by means of a clause expressly introduced on each order. The clients when signing such order will accept the terms and conditions contained herein.

Furthermore, the Bank will provide to its clients a summary of this Policy in the welcome pack so that every client is duly informed about the content of the present Policy at the beginning of the banking relationship. Moreover, the clients can, at all times, request a copy of the said Policy to the Bank.

### **8. Annual reports**

Bankinter must annually draft two annual reports with the following content:

- a) the top five intermediaries (brokers) to which client's orders were routed in the precedent year in trading volumes, for every financial instrument category; and

- b) a summary of the analysis and conclusions on the monitoring of the execution quality obtained in the intermediaries (brokers) where the clients' orders have been executed during the precedent year, for every financial instrument category.

The content and the format of the abovementioned reports are established by the Commission Delegated Regulation 2017/576 of 8 June 2016, which complements MiFID II Directive.

Such reports will be annually published in the Bank's webpage, in a machine-readable electronic format, available for downloading by the public. In addition, no additional cost/fee will be charged for the provision of such information.

### **9. Revision**

Bankinter will review the effectiveness of its Best Execution Policy on an annual basis and will update it as long as there are significant changes that affect the ability to continue obtaining the best possible result in the execution of its clients' orders.

In addition, on an annual basis and for each type of financial instrument, Bankinter will assess whether the intermediaries (brokers) included in this Policy provide the best possible result for its clients or whether some changes are needed.

In any case, Bankinter will notify its clients of any significant change that may affect the parameters of the best execution, such as cost, price, speed, probability of execution and settlement, volume, nature or any another relevant consideration for the execution of an order.

However, changes considered less relevant, such as the introduction or exclusion of execution centers or type of financial instrument, will not be expressly communicated to clients, but they will be available to them through the public website.

**Appendix 1 – Factors to be taken into consideration in the selection of the Intermediaries (brokers)**

**For Bankinter Luxembourg’s activity:**

Financial Instrument	Factors	Intermediary (Broker)
Listed Equities	<ul style="list-style-type: none"> <li>- Price and costs (50%);</li> <li>- Fastness and likelihood of execution/settlement (25%);</li> <li>- Size and nature of the order (15%);</li> <li>- Probability of execution and settlement (10%).</li> </ul>	Transmission of orders to: <ul style="list-style-type: none"> <li>- Bankinter S.A.</li> <li>- Citigroup Global Markets Europe AG</li> </ul>
Fixed Income	<ul style="list-style-type: none"> <li>- Price and costs (50%);</li> <li>- Fastness and likelihood of execution/settlement (10%);</li> <li>- Size and nature of the order (15%);</li> <li>- Probability of execution and settlement (25%).</li> </ul>	Transmission of orders to: <ul style="list-style-type: none"> <li>- Bankinter S.A.</li> <li>- A&amp;G Banco</li> </ul>
Investment Funds (UCITS and Non UCITS)	Price, Cost and Type of order (100%)	Transmission of orders to: <ul style="list-style-type: none"> <li>- Allfunds International Bank S.A.</li> <li>- Citigroup Global Markets Europe AG</li> </ul>
Foreign Exchange	Price, Cost and Type of order (100%)	Transmission of orders to: <ul style="list-style-type: none"> <li>- Bankinter S.A.</li> </ul>

**For Bankinter International Fund SICAV's activity:**

Financial Instrument	Factors	Intermediary (Broker)
Listed Equities	<ul style="list-style-type: none"> <li>- Price and costs (50%);</li> <li>- Fastness and likelihood of execution/settlement (25%);</li> <li>- Size and nature of the order (15%);</li> <li>- Probability of execution and settlement (10%).</li> </ul>	Transmission of orders to: <ul style="list-style-type: none"> <li>- Instinet Europe Ltd</li> <li>- RBC Capital Markets</li> </ul>
Fixed Income	<ul style="list-style-type: none"> <li>- Price and costs (50%);</li> <li>- Fastness and likelihood of execution/settlement (10%);</li> <li>- Size and nature of the order (15%);</li> <li>- Probability of execution and settlement (25%).</li> </ul>	Transmission of orders to: <ul style="list-style-type: none"> <li>- RBC Capital Markets</li> <li>- Goldman Sachs</li> <li>- BBVA S.A.</li> <li>- Banco Santander S.A.</li> <li>- Credit Agricole CIB</li> <li>- DZ Bank</li> <li>- Natixis CIB</li> <li>- A&amp;G Banco</li> </ul>
Investment Funds (UCITS and Non UCITS)	Price, Cost and Type of order (100%)	Transmission of orders to: <ul style="list-style-type: none"> <li>- Caceis IS</li> </ul>
Derivatives	<ul style="list-style-type: none"> <li>- Price and costs (50%);</li> <li>- Fastness and likelihood of execution/settlement (10%);</li> <li>- Size and nature of the order (15%);</li> <li>- Probability of execution and settlement (25%).</li> </ul>	Transmission of orders to: <ul style="list-style-type: none"> <li>- JP Morgan</li> <li>- Santander ETDS</li> </ul>
Foreign Exchange	Price, Cost and Type of order (100%)	Transmission of orders to: <ul style="list-style-type: none"> <li>- Caceis IS</li> </ul>

**Appendix 2 – Execution Venues currently used (directly or via third party broker) for Bankinter Luxembourg activity.**

Financial Instruments Instrument	Execution Venue / Broker
Cash Equity and EFT's	Athens Stock Exchange Borsa Italiana Deutsch Börse AG London Stock Exchange BME (SIX Group – Spain) BME Growth (Mercado Alternativo Bursátil – Spain) NYSE Euronext Amsterdam NYSE Euronext Brussels NYSE Euronext Lisbon NYSE Euronext Paris NYSE Euronext Dublin NYSE Euronext Oslo Nasdaq Nordic Stockholm Exchange Nasdaq Nordic Helsinki Exchange Nasdaq Nordic Copenhagen Exchange Wiener Börse (Austria S.E.) SIX Swiss Exchange Warsaw Stock Exchange New York Stock Exchange Nasdaq NYSE Arca Toronto and Vancouver Stock Exchange Bolsa Mexicana de Valores (Mexico S.E.) B3 S.E. (Sao Paulo Stock Exchange) Australian Securities Exchange New Zealand Stock Exchange Jakarta Stock Exchange Hong Kong Stock Exchange Philippines Stock Exchange Korea Stock Exchange Tokyo Stock Exchange Singapore Stock Exchange Stock Exchange of Thailand Johannesburg Stock Exchange
Fixed Income Bond and Convertibles	Bilateral trading, Bloomberg RFQ trading, AIAF among others.