

Execution and transmission strategy of professional customer orders

1. Introduction

This document seeks to illustrate the Order Execution and Transmission Strategy ('Strategy') of Banca Akros SpA ('Bank') for each category of customer envisaged by European regulations on markets in financial instruments ('MiFID') and for each type of product traded on own account and executed on behalf of third parties.

1.1 Regulations

European and national regulations state that the purpose of a broker's order execution and transmission strategy is to achieve 'best execution' for customer orders on a long-standing basis, requiring brokers to take all sufficient steps to achieve this objective.

1.2 Scope of application

Banca Akros has drawn up an Order execution and transmission strategy, which differs according to:

- the type of customers the Bank serves;
- the type of financial instrument handled;
- the characteristics of the reference markets for each type of financial instrument; - the characteristics of the orders received on individual financial instruments.

2. Key factors

To achieve the 'best execution' for its customers, the Bank takes the following into account, in order of importance:

- the price of the financial instrument and commissions and any other charges the Bank applies to the customer;
- speed of execution;
- quantity and nature of the order;
- likelihood of execution and settlement; - any other characteristic of the order that relates to its execution.

Considering the conditions prevailing on the individual markets when the customers' orders are received, the Bank seeks to ensure best execution for its customers, speed, and the highest likelihood of order execution and settlement.

The 'best execution' for customers is that which relates to the specific combination of the above-indicated execution factors and the execution venues chosen in advance by the Bank, listed below by type of financial instrument, and not in absolute terms, namely considering all of the possible execution venues for the specific financial instrument. It follows that, at the customer's request, the Bank can demonstrate that the execution is in line with its Strategy. As required by the regulations, the Bank regularly monitors the effectiveness of its Transmission and Execution Strategy and reviews it at least once a year.

3. Operating model for the execution of customer orders

The Bank acts as broker-dealer for its customers, offering, for each financial instrument traded in the execution venues identified by the Bank, a service to access one or more of these execution venues, as well as, for equities, bonds and ETFs, a service to automatically identify the best execution for the customer's order (known as dynamic best execution) among the

different execution venues obtained, taking into account the execution factors in this Strategy and the contents of the attached information documents.

When deciding which execution venues to include in the Strategy, listed by type of financial instrument attached hereto, the Bank mainly considers:

- for regulated markets and multilateral trading facilities:
 - liquidity;
 - execution costs, settlement likelihood and the relative costs; - speed of execution;
- with regard to identifying systematic internalisers and market makers:
 - standing (credit rating, reliability, professionalism, market share);
 - the ratio of orders accepted to orders received;
 - the ability to state prices that reflect market conditions;
 - the technology adopted in the supply chain (specifically, for receiving orders and advising of their execution);
 - settlement likelihood and the relative costs;
 - speed of execution;

When selecting the execution venues and when establishing the relative applicable commissions, Banca Akros undertakes to avoid undue discrimination between execution venues.

If Banca Akros does not have direct access to the regulated markets and multilateral trading facilities, when selecting the brokers to which the orders of its customers will be transmitted for execution, it takes the following into account:

- standing (credit rating, reliability, professionalism, market share);
- the level of complexity of access to markets and/or systems and/or order execution mechanisms;
- the technology adopted in the supply chain (specifically, for receiving orders and advising of their execution);
- execution costs;
- likelihood of settlement and the relative costs;

Among the brokers selected, Banca Akros uses European Securities Network (ESN) and GSN North America members to execute orders on European and American markets, *partnerships* that also generate and distribute financial analyses. A list of the brokers is shown as an attachment to this document (see annex A - List of execution venues by type of financial instrument) and is made available, on each occasion, on the website of Banca Akros.

Banca Akros also acts as market maker and/or trader on its own account on bonds, also through its Systematic Internaliser, and on equity, interest rate, exchange rate and main commodity derivatives.

When Banca Akros acts as market maker, it offers to trade as a direct counterparty by buying or selling financial instruments at prices and quantities established and stated by it, which do not necessarily represent the 'best execution' for customer orders. When Banca Akros acts as market maker, it is not trading financial instruments 'that relate to customer orders'. Instead, it is offering prices and quantities that customers can accept or refuse, acting as an eligible counterparty.

3.1 Dynamic best execution model

To select the execution venues on which to trade orders relating to equity and bond instruments that are or are not admitted for trading on regulated markets or Italian and foreign MTFs, Banca Akros adopts an order execution strategy that enables it to

dynamically identify the best execution venue (known as 'dynamic best execution'). The approach adopted enables it to assess, on receipt of the order and in real-time, the trading conditions offered on the different execution venues identified and obtained by the Bank. The model identifies the best execution venue for the customer's order based on the best execution factors and the selection criteria specified herein and in the annexes to this Strategy.

Execution of orders in bond instruments

Banca Akros uses its own system of automatic search for dynamic best execution called SABE, 'Sistema Automatico per la Best Execution' (Automatic System for Best Execution), capable of searching for the best possible result for the customer's order by pitting different execution venues against each other, such as:

- Italian and foreign regulated markets;
- Italian and foreign multilateral trading facilities, hereinafter MTFs;
- External market makers, whose prices can also be included within MTFs, through a 'request for quote' microstructure;
- Banca Akros as executing broker on its own account/market maker.

Annex B contains an information document on the operation of Banca Akros' SABE system. Execution of

orders in equity instruments

For the selection of the execution venue on which to trade orders on equity instruments admitted to trading on regulated markets or domestic MTFs, Banca Akros uses its automatic search system for the dynamic best execution called BEXe ('Best EXecution equity'), which can find the best execution for the customer's order by pitting different execution venues against each other. Banca Akros offers its customers direct access to Borsa Italiana, supplemented by access to other trading venues, either directly or through an intermediary/broker, for which orders on Italian equities traded on multiple execution venues of a size that ensures dynamic best execution are transmitted. Annex C contains an information document on the operation of Banca Akros' BEXe system.

To select the execution venue on which to trade orders on equity instruments admitted to trading on regulated markets or **foreign** MTFs to which it does not have direct access, Banca Akros uses one of the brokers identified based on the criteria defined in this Policy. These adopt an order execution strategy that enables them to dynamically identify the best execution venue by comparing different venues on the same regulation circuit of the reference market for the instrument (known as dynamic best execution). If the service cannot be provided by one or more of the brokers identified by the Bank and illustrated in the annex, the orders are channelled to a broker who adopts an order execution strategy consistent with that established by Banca Akros based on the criteria and factors illustrated in this Strategy.

For customer orders in **foreign US** equity instruments, in compliance with the National Market System Rule 611¹ (Order Protection Rule), all orders in equities made, which indicate a US trading venue, are executed by the Brokers that Banca Akros uses, on the American execution venue which, at the time the order is transmitted, guarantees the best execution price, regardless of the instructions given by the customer.

Execution of orders in ETFs

Banca Akros uses its automatic search system for the dynamic best execution, called SABE-ETF: 'Automatic System for Best Execution of ETFs', which can search for the best execution for the customer's order by putting different execution venues, such as regulated markets, MTFs and external market makers in competition with each other, whose prices may also be

included within MTFs, through a 'request for quote' microstructure.

An information document on the operation of Banca Akros' SABE-ETF system is contained in annex D.

¹ Further information is available at the following link <https://www.ecfr.gov/cgi-bin/text-idx?node=17:4.0.1.1.3&rgn=div5>.

3.2 Special cases of execution on its own account in bond instruments

Without prejudice to the pursuit of best execution, Banca Akros may, at the specific request of professional customers or qualified counterparties, execute orders on large-scale financial bond instruments using its own account.

This service is provided based on the following factors:

- nature and size of the order;
- likelihood of execution;
- price of the financial instrument and execution costs;
- speed of execution;
- other relevant factors for the execution of the order at the time of execution.

The order of the factors may be agreed on each occasion with customers, also based on specific scenarios and market situations, which can have a significant impact on the execution method and strategy. The pricing methods used by the own account desks to provide the execution price are established in a specific Group Regulation. The prices executed are constantly monitored by the Parent Company's Risks Department (Banco BPM SpA).

3.3 Systematic Internaliser (AKIS)

To execute orders relating to bank bonds, issued both by Banco BPM Group companies and third-party issuers and placed on Banco BPM Group networks, Banca Akros also uses its own Systematic Internaliser, called 'AKIS - Akros Systematic Internaliser'. It operates on this as market maker in compliance with the rules of transparency, pricing and control laid down by the relevant regulations.

3.4 Grouping orders

The Bank does not usually group customer orders, unless in certain circumstances; more specifically, it groups them in compliance with the law provisions in force, when:

- customers or their delegates give instructions to group orders in the same financial instrument, treating them as a single order for their execution on the market;
- when placing the order, customers or their delegates quantify the proportions for its division in the event of total or partial execution.

The execution price allocated to customers will, in any event, be the average weighted price of the total order.

In any event, customer orders cannot be grouped with orders of the Bank.

3.5 Specific instructions of the customer

When executing orders, Banca Akros accepts and complies with any specific instructions received from customers regarding the execution of separate orders. It advises that complying with these instructions can affect achieving the 'best possible result' for the customer, by preventing all or some of the execution factors, or their relative importance, which leads to the achievement of the 'best possible result' as specified above. The Bank considers as specific instructions, inter alia, the indication of the execution market, orders transmitted through Direct Market Access - DMA, orders at limited prices and/or volumes, orders at discretion and/or at 'volume weighted average price' (VWAP).

ANNEXES

- A. List of execution venues by type of financial instrument
- B. Technical annex of the SABE 'Automatic System for Best Execution' system
- C. Technical annex of the BEXe 'Best EXecution equity' system
- D. Technical annex of the SABE-ETF system

Execution venues by type of Professional customer financial instruments

Financial Instruments	Execution venues
Italian equities and other financial equity instruments traded on Italian regulated markets	<p>Regulated market and multilateral trading facilities, managed by Borsa Italiana SpA,</p> <p>Regulated market Equiduct, managed by Boerse Berlin AG, also through foreign brokers</p> <p>Multilateral trading facility Bats/Chix, managed by BATS Trading Limited through foreign brokers</p> <p>Any other venues selected based on the criteria indicated above, including 'trading on its own account as a direct counterparty and in relation to customer orders'</p>
European, nonand othean equities financial equity instruments traded, resp on and non-regulated European European markets	<p>Regulated markets and multilateral trading facilities also through foreign brokers</p> <p>Regulated market Equiduct, managed by Boerse Berlin AG, also through foreign brokers</p> <p>Multilateral trading facility Bats/Chix, managed by BATS Trading Limited through foreign brokers</p> <p>Global Equity Market of Borsa Italiana</p> <p>EuroTLX</p> <p>Market makers and any other trading mechanisms (e.g. proprietary liquidity pools, 'trading on its own account as a direct counterparty and in relation to customer orders')</p> <p>All American execution venues envisaged on each occasion by National Market System Rule 611 (Order Protection Rule)</p>
Italian, European and non-European regulated derivatives	<p>Regulated markets:</p> <ul style="list-style-type: none"> • Eurex • EEX • CME, CBOT, CBOE, NYMEX, COMEX • ICE • EURONEXT • IDEM <p>Other European and non-European regulated markets through foreign brokers</p>
Listed Italian and foreign Government	Italian regulated markets, managed by Borsa Italiana,

bonds and securities	and foreign regulated markets Italian and foreign multilateral trading facilities Market Maker
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Financial Instruments	Execution venues
	Market Making Own account
Unlisted bonds	Italian and foreign multilateral trading facilities Market makers Market Making <u>Own account</u>
Covered warrant and certificates	Italian Regulated markets and multilateral trading facilities: - SEDEX - EuroTLX, Cert-X segment Own account for orders relating to covered warrants and certificates not traded on SEDEX or EuroTLX.
OTC derivatives - on shares - on exchange rates - on interest rates	Market Making Own account
Monetary market instruments	Market Making Own account