

## **Characteristics of Banca Akros' SABE system (Automatic *Best Execution* System)**

### **PROFESSIONAL CLIENTS SERVICING RETAIL CUSTOMERS**

This document summarises the main characteristics of the SABE system ('Automatic Best Execution System'; hereinafter SABE), i.e. the system developed and created by Banca Akros for its professional clients to ensure the 'best possible result' for their orders involving bonds traded on both regulated markets and outside of these markets.

SABE is not a trading system, but a system that searches for the 'best possible result' for the orders of professional clients servicing, in particular, retail customers, considering the characteristics of the reference market (the bond market is characterised by a structurally lower degree of transparency than the equity market) and the assessments performed by Banca Akros on the individual 'execution venues' (markets and market makers) that ensure trading of the bond instruments.

The information and functional characteristics of SABE allow the targeted professional clients to process the orders and related executions of their retail customers easily and in a highly computerised fashion, with IT solutions generally used for equity instruments.

### **1. Types of bond instruments**

The categories of bond instruments on which, barring the very existence of a market for the individual instrument, SABE ensures the search for the 'best possible result' are:

- Italian and foreign Government bonds
- bonds issued by international bodies
- bonds issued by Italian and foreign non-financial corporate entities
- Italian and foreign bank bonds
- Italian and foreign convertible bonds
- bonds issued by "Agencies"
- any other bond instrument traded in the 'execution venues' considered by Banca Akros.

### **2. Factors for the search for the 'best possible result'**

In searching for the 'best possible result' for customers, SABE takes account of the following factors, listed in order of importance:

- **Price of the bond instrument** being ordered;
- **costs payable by the customer**, typically composed of the cost of executing the order, applied by the individual 'execution venue' used and the settlement cost. These costs are included in the trading commission applied by Banca Akros, differentiated by type of bond instrument and

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execution venue. Any tax expenses relating to trading activities, payable by Banca Akros, will be charged to the customer. SABE is able to also separately take into account the costs that Banca Akros' professional clients apply to their retail customers, if they are communicated to Banca Akros for registration in SABE.

SABE considers the 'total consideration' a key factor in achieving the 'best possible result' for customers, i.e. the sum of the price of the bond instrument and the costs and/or expenses applied to customers, as prescribed by the regulations governing the orders of retail customers.

Given the same 'total consideration', during the 'execution venue' selection phase, especially when this is represented by market makers that show 'trading prices', SABE considers:

- **the likelihood and speed of execution** which implies that, given the same 'total consideration', as regards the 'execution venues' selected upstream by Banca Akros (see point 3), SABE firstly turns to the venues characterised by 'fixed quotes' and in the event they are unavailable, the system turns to 'approximate quotes'. In both cases, the system selects the 'venue' considered 'more reliable' from an execution point of view. The degree of reliability, statistically determined by the system, is updated daily based on the i) number of orders accepted by the individual venue with respect to the total number of orders sent by Banca Akros and (ii) the average response times to the execution and/or listing requests made by Banca Akros.

### 3. Selection of execution venues

For the execution of orders on bond instruments, SABE is able to put 'execution venues' with different characteristics in competition with one another, i.e.:

- regulated markets
- multilateral trading facilities (MTF)
- organised trading facilities (OTF)
- Systematic internalisers
- market makers.

As regards the different types of 'execution venues' described above, Banca Akros selected those able to offer the 'best possible result' for customers over the long term, which can be achieved using valuable technological methods in terms of the management of orders and executions.

Moreover, as specified in the 'Disclosure on the order execution strategy', on which customers, pursuant to Art. 46, paragraph 2, of the Consob Regulation on Brokers, must express their prior consent, Banca Akros mainly takes into account the following factors when executing orders:

- with reference to regulated markets, multilateral trading facilities and organised trading facilities
  - liquidity, typically presented by the average bid/ask spread and the average depth of the trading book
  - execution costs, settlement likelihood and the relative costs
  - the number and type of bond instruments traded

- the speed of execution
- with reference to accessible market makers and/or systematic internalisers
  - the standing (credit rating, reliability, professionalism, market share)
  - the ability to deliver prices that reflect market conditions
  - the ratio of orders accepted to orders received
  - the technology used in the supply chain (specifically, when receiving orders and notifying executions)
  - the likelihood of settlement and the relative costs
  - the speed of execution.

SABE is able to also support the Bank in the process of periodically reviewing its 'execution venues'. Indeed, the system stores, on a daily basis, the 'behaviour' of each 'execution venue' used in the reference period, and selects new ones based on the criteria mentioned above. Statistics relating to the overall operations carried out in the generic observation period are also provided to its professional clients.

#### 4. List of 'Selected Execution Venues': Markets and Market Makers

The complete and updated list of execution venues selected by Sabe is shown in the document called [SABE\\_executionPolicy.pdf](#)

#### Any use of own account trading

In relation to trading on behalf of third parties performed through SABE, and without prejudice to the elements contained in previous point 2, Banca Akros can carry out own account trading in the following cases:

- *Security listed by non-selected market makers , highly specialised in the reference market that offer better quotes than the execution venues shown in point 4 above.* Said order management and execution procedure is recommended, in particular, for orders regarding securities not traded by the selected execution venues or in the event in which they do not accept their execution.
- *if SABE's professional clients need to 'cross' the orders of their customers on the same security, for the same quantity and with the same settlement date.* Both the purchase and sales orders are executed using its own account intended for said purpose, by improving, if possible, the security quotes with respect to those offered by the selected execution venues.

#### 6. Periodic review

SABE is also able to support the Bank in the process of periodically reviewing its 'execution venues', as it stores, on a daily basis, the 'behaviour' of each 'execution venue' used in the period from an execution perspective. Account will also be taken of any new execution venues, evaluated according to the criteria cited above.

## SABE - Technical Annex

### Description of SABE system's technical functionalities

- Direct and automatic connection (via FIX protocol) with the most widely used order collection systems.
- Automatic control of the executability of each order based on the properties of the security involved in said order.
- Possibility for the professional client to choose the additional filters to be applied to every order sent, with the relevant automatic control of the executability of the orders based on the filters selected.
- The order is executed automatically by applying a single execution venue. Each order is sent to the best *trading venue* from those able to execute the quantity of said order in its entirety.

'Care mode' service for all orders that, being unexecutable due to price reasons (limit price of the order worse than the prices of the execution venues selected) or quantity reasons (order quantity higher than that proposed by the execution venues selected), the system maintains the pending status. In fact, when the above conditions change, SABE again sends the order to the best execution venue. The "care mode" service is valid for one day, unless the customer explicitly requests a revocation/unexecuted status during the same day. In the event in which the order cannot be executed during the day, after 17:30 SABE automatically generates an unexecuted order message. The "care mode" procedure is automatically applied for securities not listed on a regulated market or MTF with an order-driven type structure.

- 'Magnetete' service, applicable solely to securities listed on a regulated market or MTF with 'order-driven' microstructure and alternative to the 'curando automatico' (automatic processing) service, enters into operation after having verified the non-executability of the orders in '*best execution*' mode in all execution venues listed in previous point 4, by sending the order to the regulated market or to the MTF where the security is admitted to trading. If the order sent to the regulated market or MTF is partially executed, at the end of the day, SABE sends the customer the partially executed amount and the unexecuted amount for the residual part. Orders still not fully or partially executed in the market selected by Magnetete, can be 'moved' by Magnetete to the listing book of another market that can be reached by Magnetete if the execution likelihood therein should be higher ('sweeping' service); the process described may be repeated several times over the course of the same day and for the same order.
- 'Automatic unexecuted amount' service, valid for all the orders of customers who do not want the 'curando automatico' (automatic processing) service or the "magnetete" service. In this case, the order that cannot be executed is automatically returned to the customer as unexecuted.

- 'Order crossing' service on the same securities and for the same quantities.
- Automatic downloading of the prices of all selected execution venues for each order received; association of the corresponding costs for the purposes of determining the 'total consideration'.
- In the case of execution venues with the same 'total consideration', application of the '*dynamic ranking*' technique described in paragraph 2 for the selection of the execution venue which the order is to be sent to.
- Automatic transmission of a *standard* application to the *trading venues* which show quotes with 'fixed' prices; automatic creation of a single (*request for quote*) or a multiple or multiple/parallel request for quote for *trading venues* that show 'approximate' prices.
- For entities that send orders, data certifying the 'best possible result' for the retail customer are available, in compliance with the order execution strategy subject to prior consent of said customers, through access to Banca Akros' website, at <https://www.bancaakros.it/pta>; the data relating to the execution, stored for at least 5 years and which can be extracted through a Microsoft Excel sheet, will be available from the day following the date of order execution.
- Orders on bonds that make provision for trading at '*tel quel*' price, therefore including the interest accrued, are confirmed and settled without further evidence of said accrual. Therefore, Banca Akros does not assume any additional obligation with respect to those outlined in the order execution confirmation message.