

Order execution and transmission strategy

Professional clients

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 financial instrument markets ('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 result possible 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, it will take into account the following when selecting brokers to which it will transmit customer orders for execution:

- 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 in the document (- List of execution venues by type of financial instrument) and is made available, on each occasion, on Banca Akros' website.

Banca Akros also acts as market maker and/or executing broker on its own account for bonds, also through its own Systematic Internaliser, as well as for derivatives in equities, interest rates, exchange rates and the main commodities.

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 the same, 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", but 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 in this document and in the technical documents available on the Bank's website.

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.

The information document on the operation of Banca Akros' SABE system is available on the Bank's website.

Execution of orders in equity instruments

To select the execution venue where orders in equity instruments admitted to trading on **domestic** regulated markets or MTFs will be traded, Banca Akros uses its own automatic search system for the best dynamic execution called BEXe ("Best EXecution equity"), which is able to find the best possible result for the customer's order by putting different execution venues in competition with 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. The information document on the operation of Banca Akros' BEXe system is available on the Bank's website.

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 attachment, the orders are channelled to a broker that adopts an order execution strategy that is consistent with that established by Banca Akros on the basis of the criteria and factors illustrated in this Strategy.

For customer orders in **foreign US equity instruments, in compliance with the National Market System Rule 611** (Order Protection Rule), all orders on equities placed on a US trading venue are executed, by the Broker used by Banca Akros, on the US execution venue that, at the time the order is transmitted, guarantees the best execution price, regardless of the instructions given by the customer.¹

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.

The information document on the operation of Banca Akros' SABE-EF system is available on the Bank's website.

3.2 Special cases of execution on own account in bond instruments

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

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>.

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 S.p.A.).

3.3 Systematic Internaliser

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, except in certain circumstances; more specifically, it groups them in compliance with the provisions of the laws 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 customer instructions

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, limited price and/or volume orders, care and/or at 'volume weighted average price' (VWAP) orders.