

# MiFID II Order Execution BMO Europe

May 2024

## Introduction

This Order Execution Policy sets forth information relating to how Bank of Montreal Europe, plc (“BME”) seeks to provide best execution as required by the Markets in Financial Instruments Directive 2014/65/EC (“MiFID”) and the Central Bank of Ireland (“CBI”) when executing orders in relation to MiFID financial instruments on behalf of Professional Clients (“Clients”).

**This policy does not apply to business conducted with clients categorised as Eligible Counterparties; accordingly, we will not owe best execution for transactions entered into with Eligible Counterparties.**

In addition to any best execution obligations, BME has an overriding duty to act honestly, fairly and professionally and always in accordance with the best interests of our clients.

**The purpose of this document is to provide Clients with information on how we handle Order Execution.**

BME endeavours to take appropriate steps to obtain the best possible result for Clients when executing orders (or receiving and transmitting orders) on their behalf, taking into account factors such as price, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

### ***Receipt and Transmission of Orders***

BME owes a duty of best execution in accordance with this Policy when it receives a client order and transmits it to a third party for execution. BME may choose to arrange for the execution of orders through other affiliated BMO Group entities (“BMO”) either within or outside the European Economic Area (“EEA”). BME monitors the effectiveness of such arrangements to ensure that we can be satisfied that they support us in complying with our Best Execution obligations.

For the avoidance of doubt, in the case of equities, BME will execute orders on days on which exchanges in the United Kingdom or EEA are open for business.

### ***Execution of Orders on Behalf of Clients***

The application of best execution will be limited to where BME executes orders “*on behalf of clients*” particularly when we are dealing as the Client’s agent or as riskless principal. This includes instances where a client has placed an actionable instruction to buy or sell a financial instrument and where BME has an element of discretion over the execution of the order.

By way of illustration, this applies where BME receives an instruction to, amongst other things:

- work a client order
- execute an order at best (e.g. best price available)
- execute a limit or stop loss order

In other situations, our duty of best execution will depend on whether the Client is deemed to be placing legitimate reliance upon BME to protect its interests in relation to the execution of the order.

### ***Best Execution in principal business***

When BME provides quotes or negotiates a price to trade on a bilateral basis with a client on request (e.g. dealing on a Request For Quote (“RFQ”) basis), the application of best execution will depend on the nature and circumstance of the request and whether the client is placing legitimate reliance on BME at the time of the RFQ.

Whether or not the Client is placing legitimate reliance on BME will be assessed by applying the four-fold cumulative test published by the European Commission, which entails the consideration of the following factors:

1. which party initiates the transaction;

2. questions of market practice and the existence of a convention to ‘shop around’;
3. the relative levels of price transparency within a market; and
4. the information provided by BME and any agreement reached.

Where the consideration of the above factors leads us to conclude that the Client is not legitimately relying on BME, then best execution will not apply. Please see Appendix D for further detail.

### **Asset Class Scope**

Our best execution obligation applies to executing orders in any type of financial instrument, including over the counter (“OTC”) derivatives. The products within scope of this Policy are “financial instruments” as defined by [MiFID](#).

The following products are relevant to BME:

- FX Forwards and FX Options (FX Spot trades may be in scope if they are ancillary to a transaction in financial instruments);
- interest rate derivatives (“rates”);
- cash equity and equity like products, including electronic trading;
- securities borrowing and lending;
- equity derivatives;
- bonds and money market instruments;
- structured products.
- commodity derivatives

Appendix B describes how best execution is applied for each product.

This Policy includes, in respect of each class of financial instrument, information on the different venues where BME executes Client orders and the factors affecting the choice of execution venue. We shall, at least, include those venues that enable BME to obtain on a consistent basis the best possible result for the execution of Client orders.

### **Delivering on our commitment to obtain the best possible result**

Subject to any specific instructions that may be given by a client, when executing or transmitting orders on a client’s behalf, we will take all sufficient steps to obtain the best possible result considering the execution factors and criteria considered below.

The execution factors that will be considered are:

- price;
- speed of execution;
- likelihood of execution and settlement (liquidity);
- execution costs;
- size and nature of the order;
- nature of the order,
- costs; and
- any other consideration relevant to the efficient execution of the order.

We will determine the relative importance of each factor based on the following criteria:

- the characteristics of the Client (e.g. they are institutional investors);
- the characteristics and nature of the order such as benchmark, strategy, aggressivity/passivity;
- the characteristics of the financial instruments that are the subject of the order; and
- the characteristics of the execution venues to which that order can be directed.

Ordinarily, price will merit a high relative importance in obtaining the best possible result for Clients with the next most important factor being the liquidity of the underlying market.

The choice of execution venue will be determined in relation to the prioritisation of the execution factors above.

When conducting business in a principal capacity on an RFQ basis, ordinarily price (subject to size) will be the primary factors of consideration. However, during highly volatile markets or in very illiquid instruments it will be more likely that size and likelihood of execution will take priority over price. There may also be circumstances in large trades where minimisation of market impact takes priority

Notwithstanding this, the relative importance of these factors will change in response to the circumstances of the general market or during the execution of the order or instructions provided.

### **Aggregation and Allocation**

Our procedures and arrangements:

- provide for the prompt, fair and efficient execution of Client orders, relative to other Client orders or the trading interests of BME; and
- shall allow for the execution of otherwise comparable Client orders in accordance with the time of their reception by BME.

We will execute Client orders in the sequence in which we receive them unless the nature of the order or prevailing market conditions makes this impracticable or the Client requires otherwise.

We will generally place orders onto the appropriate execution venue as soon as we have agreed to work the order, unless potential market impacts dictate that we do not.

Should we receive multiple orders at, or around, the same time, we may aggregate the orders and allocate the resulting fills as the aggregate order is executed. This may mean that we will provide you with partial fills at different prices or a single fill at an average price. Orders may only be aggregated if it is unlikely that this will work overall to the disadvantage of any Client whose order is to be aggregated.

Should our book position dictate that we wish to execute an order from our book in the same direction as a client order, we will execute the Client order in full ahead of our own order unless by aggregating the order we can demonstrate that the Client will receive the same or better execution outcome.

If we aggregate a client order with our own order and the aggregated order is partially executed, the resulting fills must be allocated to the Clients in priority to us. However, if we can demonstrate on reasonable grounds that without the combination, we would not have been able to carry out the Client's order on such advantageous terms or at all, we may allocate the transaction for our own account proportionally.

Where aggregated own account and Client orders have been allocated, care and consideration will be taken that reallocation of trades are not detrimental to the Client.

BME shall not execute a Client order or a transaction for own account in aggregation with another Client order unless the following conditions are met:

1. it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated;
2. it is disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to an order; and
3. an order allocation process is established and effectively implemented, providing for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions.

Where BME aggregates an order with one or more other Client orders and the aggregated order is

partially executed, it shall allocate the related trades in accordance with its order allocation process.

### Orders traded on a trading venue

For each financial instrument that we trade on behalf of our clients we consider what the best venue for executing the order is. Where we do not have direct access to a venue or where we otherwise deem it appropriate, we will execute orders through a third-party broker or a BMO affiliate.

We will access one or more of the following types of venues when executing an order on your behalf:

- a Regulated Market ("RM");
- a Multilateral Trading Facility ("MTF");
- an Organised Trading facility ("OTF");
- a Systematic Internaliser ("SI");
- other liquidity providers, (e.g. market makers acting as principal and electronic liquidity providers);
- inter-dealer brokers; and
- non-EEA BMO Financial Group and other entities performing similar functions.

To the extent BME has discretion over the choice of one execution venue over another, the selection of the execution venue will be made based on which venue (or venues) provide for the best overall result for the Client.

BME may also transmit your order for execution to another broker or dealer (which may be located outside of the EEA and could include both BMO affiliate entities and / or third-party brokers). In these instances we may both determine the ultimate execution venue ourselves on the basis described above, and can instruct the other broker or dealer accordingly, or we will satisfy ourselves that the other broker or dealer has arrangements in place to enable us to comply with our best execution obligations to you. Where BME engages either an affiliate or a third-party broker for order execution, we will monitor our executions with that broker to ensure that the entity is able to provide an appropriate standard of execution in the relevant market.

We apply one of two methods to a Client Order we receive which are distinguished for the purposes of MiFID II, with a different best execution obligation for each:

- **Indirect execution:** We may transmit a Client Order to a third party, e.g. a broker or investment bank (which may include our affiliates) (each a "Broker") for that third party to execute on behalf of our client.
  - **Best execution obligation:** We must act in accordance with the best interests of our clients when transmitting Client Orders with Brokers for execution in financial instruments on behalf of those Clients, considering the execution factors as set out in this Order Execution Policy.
- **Direct execution:** Alternatively, we may execute the relevant transaction on behalf of the Client directly as principle, with another counterparty or on an exchange or other trading system (each an "Execution Venue"). We may do this, for example, by dealing directly with a market maker or other liquidity provider on a "request for quote" basis, or by accessing an exchange or trading platform. (Please note that the term "Execution Venue", as used in this Order Execution Policy, is intended to refer to counterparties with which we may execute Client Orders directly (such as the counterparty to an OTC derivative under an ISDA), as well as exchanges and other trading venues.)
  - **Best execution obligation:** We must take all sufficient steps to obtain the best possible result for Clients, when directly executing Client Orders with, or on, an Execution Venue on behalf of its clients, considering the execution factors as set out in this Order Execution Policy.

Please refer to Appendix A for a full list of venues that BME has direct and indirect access.

We select venues in various ways, inter alia:

- **on a long-term basis:** we choose the venues to which we will maintain access, either directly or indirectly via third party brokers or other BMO entities; and
- **on a short-term basis:** we choose from those venues that we have indirect/direct access to, which is/are the most appropriate to execute individual orders or any part of them.

Both selections will be primarily driven by the same execution factors used for assessment of individual orders, allowing us to achieve best execution for our clients on a consistent basis.

### ***Long-term venue selection***

As a general principle, BME looks to have access to the primary market for the securities in question, (e.g. the exchange with the primary listing).

We will endeavour to have access to the most relevant market in terms of liquidity, as defined by European Securities and Markets Authority (“ESMA”), in case this is different from the primary market.

The following factors govern our approach to selecting and maintaining additional venues to the primary market in the relevant jurisdiction:

#### **Primary factors**

1. **Price:** a venue that provides, or is likely to provide, consistent trading opportunities at better prices than venues outside our existing portfolio of venues; and
2. **Likelihood of execution:** a venue that provides, or is likely to provide, consistent trading opportunities in terms of increased volumes at the same price and time beyond available volumes through our existing portfolio of venues. (e.g. a venue that offers additional liquidity).

#### **Secondary factors**

3. **Likelihood of settlement:** execution venues with proven central counterparty (“CCP”) arrangements are considered low risk and offer near certainty in settlement of executed transactions. Venues without CCP arrangements will be assessed in terms of credit and operational risks;
4. **Market models:** execution venues are assessed on their trading models, including matching and allocation logic, as well as their rules and the type of trading participants. BME will endeavour to execute on venues that allow it to achieve best execution on a consistent basis. At the same time, it is understood that different orders or market conditions may result in different venues enabling the achievement of best execution; and
5. **Operating models:** execution venues are assessed on their reliability and operational resilience, both from a trading and post-trade perspective where applicable.

#### **Tertiary factors**

6. **Speed of execution:** speed of execution within venues is relatively similar in modern electronic markets and often negligible compared to latency due to physical distance between BME, its brokers and/or other venues; and
7. **Costs:** these relate to commissions, costs and the fees that are charged for executing your order. If you deal with us on a fixed commission basis, these costs will have only a minor influence in the way that we execute your order:
  - a. when executing your order, we may have to choose between venues to (partially) execute your order;
  - b. we will not execute orders on a venue that offers a worse price than another one available to us because of considerations of execution costs; and
  - c. when competing venues offer the same price, we may execute orders on the venue with lower execution cost but only if we assess that other execution factors are not negatively impacted.

### **Short-term venue selection**

Short-term venue selection is driven solely by the individual order. Therefore, the prioritisation of execution factors for short-term venue selection is identical to that for the overall execution of orders described earlier.

We may satisfy the requirement to disclose the identity of our execution venues where we execute on an RM, even though we might direct orders to a limited subset of market makers that are active on that market or give priority to a subset of available market makers.

BME shall not receive any remuneration, discount or non-monetary benefit for routing Client orders to a trading venue or execution venue which would infringe the requirements on us with regards to conflicts of interest or inducements.

In the case of a Client limit order in respect of shares admitted to trading on a RM or traded on a trading venue which are not immediately executed under prevailing market conditions, BME will, unless the Client expressly instructs otherwise, take measures to facilitate the earliest possible execution of that order by making public immediately a Client limit order in a manner which is easily accessible to other market participants.

### **Cash equities**

In certain cash equities, there may be only one execution venue and in executing a trade in such circumstances we will presume that it has provided the best possible result in respect of these types of cash equities.

Subject to proper consideration of the execution factors and Best Execution criteria, where we believe that we can trade to the advantage (or at no disadvantage) to a Client, a BMO Group entity may be used as the execution venue.

Where a BMO Group entity acts as the execution venue, we will consider all sources of reasonably available information, including MTFs, local exchanges, brokers and data vendors, to obtain the best possible result for the order.

### **Orders traded off a trading venue**

When executing Client orders off venue we will consider the best interests of our clients when selecting counterparties. This will include a consideration of the type of client and the service that is in their interests, as well as consideration of the type of instrument being executed.

We recognise that OTC derivatives sharing the same reference data details as derivatives for which trading venues have submitted reference data will be subject to MiFIR transparency and transaction reporting requirements.

Where Client orders are executed outside a trading venue, BME will inform its clients about that possibility. We will also obtain the prior express consent of a client before proceeding to execute their order(s) outside a trading venue. Consent may be obtained either in the form of a general agreement or in respect of individual transactions.

Please note there can be consequences that come from the fact that BME executes orders outside a RM, MTF or OTF. In particular, an OTC transaction does not benefit from any clearing mechanism, and Clients are therefore exposed to counterparty risk which stems from the creditworthiness of an institution and can be measured by potential losses resulting from the default of one or more banks or primary broker-dealers.

## **Automated Execution Strategies & Smart Order Routers**

Depending on the financial instrument, size and nature of the order and client instructions BME may make use of automated execution strategies; these may be referred to as algorithms, as well as Smart Order Routers (“SOR”).

BME employ several third-party SORs in order to achieve the best price and quality of execution for Clients. Unless the Client instructs otherwise, BME will use a SOR to access the best venues in order to achieve best execution as per the prioritisation of factors as set out in this Policy.

Algorithms are usually designed for specific execution objectives. BME will therefore ensure it has access to a variety of execution algorithms and use the one that is deemed to be most optimal for a specific order and market circumstances or client instructions. For the avoidance of doubt, BME may engage in algorithmic trading.

## **Specific Client Instructions**

It is common to receive orders with specific instructions from clients, such as a price or volume limit.

When a client provides us with a specific instruction in relation to an entire order, or any aspect of an order, including a request for execution on a venue, we will endeavour to execute the order in accordance with the Client’s instructions.

When BME executes an order following specific instructions from the Client, it should be treated as having satisfied its best execution obligations only in respect of the part or aspect of the order to which the client instructions relate.

The fact that the Client has given specific instructions which cover one part or aspect of the order should not be treated as releasing BME from its best execution obligations in respect of any other parts or aspects of the Client order that are not covered by such instructions.

BME will not induce a client to instruct it to execute an order in a particular way, by expressly indicating or implicitly suggesting the content of the instruction to the client, when BME ought reasonably to know that an instruction to that effect is likely to prevent it from obtaining the best possible result for that Client. However, this should not prevent BME from inviting a client to choose between two or more specified trading venues, provided that those venues are consistent with this Order Execution Policy. After complying with a client’s instructions, BME will follow the prioritisation of factors outlined in this Policy in order to achieve best execution for the Client.

Please note that if a client provides us with a specific instruction, this may prevent us from following some or all the steps in this policy that are designed to obtain the best possible result. Therefore, if a client requires its order to be executed in a particular manner and not in accordance with this policy, it must clearly state its desired method of execution when it places an order.

## **Fees, Commissions and Mark-Ups**

We will charge commission or mark-ups for the execution services we provide for Clients. In cash equities, fees will take the form of pre-agreed commissions.

BME will not structure or charge commissions in a way as to discriminate unfairly between execution venues.

In RFQ driven markets, like Fixed Income and FX, BME, like other market participants, will charge a spread between where BME may buy a financial instrument and where we may sell the same instrument.



BME will ensure that mark-ups and spreads charged on transactions where best execution is owed are reasonable, not excessive and will be within a range that we consider reasonable for the product type, tenor and size of the trade. This does not mean that commissions and mark-ups will be the same for all Clients.

BME will not seek to benefit from a client through asymmetric price movements, for example, where we may pass on any adverse price movements to the client while retaining for BMO any movement in the Client's favour.

Please note that pricing offered to Clients may be reflective of an array of factors, including, but not limited to the:

- client's relationship with BME;
- client type;
- product being sold;
- size of transaction;
- current market conditions;
- client's credit worthiness;
- competitive landscape; and
- potential risk to BME.

### **Monitoring and Review**

We will monitor the effectiveness of our execution arrangements and execution policy in order to identify and where appropriate correct any deficiencies.

BME will review this Order Execution Policy at least annually and upon a material change to its order execution arrangements. BME will notify Clients with whom they have an ongoing client relationship of any material changes to their order execution arrangements or the Order Execution Policy.

## Appendix A: Execution Venues

### Equities

BME may access the following regulated markets, multilateral trading facilities and, for North America, alternative trading systems (ATS):

**Important Note:** the following are not exhaustive lists and may change.

#### Europe:

London Stock Exchange (including AIM) and BATS Chi-X MTF via its member affiliate BMO Capital Markets Limited.

BME has access to the following trading venues through third-party brokers: Deutsche Boerse, Euronext (Belgium, Netherland, Portugal and Ireland), Intercontinental Exchange (ICE), Nasdaq OMX (Denmark, Finland and Sweden), Oslo Bors and the SIX Swiss Exchange. Through Clearpool electronic trading, BME has access to Lit Primary (including Euronext), Lit MTF, Lit Grey, Dark MTF, Dark Conditional (including conditional RFQ venues), Periodic Auctions, and Systemic Internalisers.

#### United States:

BME has access to the following trading venues and ATs through its local affiliate BMO Capital Markets Corporation or third-party brokers: NYSE (including NYSE Arca and NYSE Market), NASDAQ Exchanges (including regional exchanges as Boston, Philadelphia, Pacific).

#### Canada:

BME has access to the Toronto Stock Exchange through its affiliate Nesbitt Burns or third-party brokers.

#### Asia:

BME has access to the following trading venues through third-party brokers: Australian Securities Exchange, stock exchanges in Japan<sup>2</sup>, Stock Exchange of Hong Kong, Hong Kong Futures Exchange, Singapore Exchange and the New Zealand Stock Exchange.

### Other asset classes

The venue for Clients trading FX, Bonds, Rates, Structured Products, Money Market Instruments, Securities Borrowing and Lending and Derivatives will always be BME.

<sup>2</sup> Fukuoka Stock Exchange, JASDAQ Securities Exchange, Nagoya Stock Exchange, Osaka Securities Exchange, Tokyo Stock Exchange

## Appendix B: Best Execution by product

How best execution is applied in the context of each product.

Asset class	Prioritisation of factors	Best execution applicable?
<b>FX Forwards, including the Follow the Sun initiative</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. likelihood of execution;</li> <li>3. speed of execution;</li> <li>4. costs;</li> <li>5. size of the order;</li> <li>6. any other consideration relevant to the execution</li> </ol>	Normally Best Execution would not apply, unless BME are executing client (for clients who are entitled to best execution based on their categorisation) orders with discretion.
<b>FX Options</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. likelihood of execution;</li> <li>3. speed of execution;</li> <li>4. costs;</li> <li>5. size of the order;</li> <li>6. any other consideration relevant to the execution</li> </ol>	Normally Best Execution would not apply, unless BME are executing client (for clients who are entitled to best execution based on their categorisation) orders with discretion, including the execution of delta hedges.
<b>Interest Rate derivatives, including the Follow the Sun initiative</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. likelihood of execution;</li> <li>3. speed of execution;</li> <li>4. costs;</li> <li>5. size of the order;</li> <li>6. likelihood of settlement</li> <li>7. any other consideration relevant to the execution</li> </ol>	Normally Best Execution would not apply, unless BME are executing client (for clients who are entitled to best execution based on their categorisation) orders with discretion.
<b>Equities and equity like products, including cash equities</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. speed of execution;</li> <li>3. likelihood of execution;</li> <li>4. size and nature of the order;</li> <li>5. costs;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to the execution</li> </ol>	<p>Where BME executes orders as agent we will owe clients (for clients who are entitled to best execution based on their categorisation) best execution.</p> <p>Where we execute as principal in response to a request for quote, best execution will not apply, provided the Client (for clients who are entitled to best execution based on their categorisation) is not legitimately relying on BME.</p>
<b>Securities Borrowing and Lending</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. size of the order;</li> <li>3. speed of execution;</li> <li>4. likelihood of execution;</li> <li>5. costs;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to the execution</li> </ol>	BMO does not undertake agency lending and the requirement would not otherwise apply other than if the Client (for clients who are entitled to best execution based on their categorisation) is legitimately relying on BME.
<b>Equity Derivatives</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. speed of execution;</li> <li>3. likelihood of execution;</li> <li>4. size and nature of the order;</li> <li>5. costs;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to the execution</li> </ol>	Normally Best Execution would not apply, unless BME are executing client (for clients who are entitled to best execution based on their categorisation) orders with discretion.

Asset class	Prioritisation of factors	Best execution applicable?
<b>Bonds and money market instruments, including the Follow the Sun initiative</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. speed of execution;</li> <li>3. likelihood of execution;</li> <li>4. size and nature of the order;</li> <li>5. costs;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to the execution</li> </ol>	Normally Best Execution would not apply, unless BME are executing client (for clients who are entitled to best execution based on their categorisation) orders with discretion.
<b>Structured Products</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. likelihood of execution;</li> <li>3. speed of execution;</li> <li>4. costs;</li> <li>5. size of the order;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to the execution</li> </ol>	Would apply in the context of secondary market trading in BME issued instruments.
<b>Commodity Derivatives</b>	<ol style="list-style-type: none"> <li>1. price;</li> <li>2. likelihood of execution;</li> <li>3. speed of execution;</li> <li>4. costs;</li> <li>5. size of the order;</li> <li>6. likelihood of settlement; and</li> <li>7. any other consideration relevant to the execution</li> </ol>	Normally Best Execution would not apply, unless BME are executing client (for clients who are entitled to best execution based on their categorisation) orders with discretion.

## Appendix C: Execution factors

### Key Execution Factors

**Price:** this refers to the resulting price of the transaction excluding BME execution charges. Price will usually be our most important consideration. After price, size of the order, likelihood of execution and speed are usually our most important considerations.

**Likelihood of execution & size:** we interpret this as the likelihood that we are able to fill your order, in its entirety or a substantial part of it. Size and likelihood of execution are negatively correlated and are related to the concept of liquidity of the instrument. The more liquid an instrument is considered, the easier it will be to execute an order and all other things being equal, size.

Size and likelihood of execution increase in importance in situations where access to liquidity in the relevant instrument is constrained in some way. For example, if the security itself is illiquid or if the order has a limit price which is not marketable.

**Speed of execution:** BME defines this as the rate at which it is able to progress an order. Where order instructions do not refer to speed (or participation rate), we will progress your order at a rate which we believe represents a balance between creating market impact and executing your order in a timely fashion to reduce execution risk.

### Other Execution Factors

**Likelihood of settlement:** we expect transactions that we execute for you to settle in a timely fashion. Generally, in equity security markets, likelihood of settlement is not a significant factor when executing on regulated markets and MTFs due to the involvement of a central counterparty ("CCP").

However, if we become aware that a particular execution strategy may compromise likelihood of settlement, we may not pursue that strategy even if it would result in a better price. Likelihood of settlement will also become more significant when executing through Systematic Internalisers or other OTC channels.

**Costs:** if you have a commercial arrangement with us in which those costs influence our own charges to you, we will agree an appropriate way with you to incorporate costs into our execution strategy. We will not structure or charge commissions in a way as to discriminate unfairly between execution venues.

## Appendix D: Four-fold test

### Factors Considered

**Whether we or the client initiate(s) transactions:** where a client initiates a transaction by approaching us, we consider that it is less likely that the client will be placing reliance on us. While we may communicate trade ideas, trading axes, market commentaries or indicative prices to the client as part of our general client service, we do not deem this as having initiated a transaction.

**Market practice and the existence of a convention to 'shop around':** where there is a practice in a particular market to shop around by obtaining quotes from various sources, it is less likely that the client will be placing reliance on us.

**The relative levels of transparency within a market:** where a client does not have access to prices in the market they are seeking to transact in, it is more likely to be placing a reliance on us. Conversely, if a client has access to pricing transparency that is broadly equivalent to ours, it is less likely that the client will be placing reliance on us.

**The information provided by BME and any agreement reached:** where the agreements we have with a client is clear that they are not relying on us to protect their interests in relation to the pricing and other elements of a transaction, it is less likely that you will be placing reliance on us

Following consideration of all relevant factors, including the four-fold test, we will take a view as to whether they, when looked at together, indicate legitimate reliance. Where, following consideration of the above factors, we conclude that a client is not legitimately relying on BME, then Best Execution will not apply.