

# Execution policy

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## 1 Aim and purpose

This execution policy details the measures taken by ZKB Securities (UK) Ltd ("**ZKBUK**") to achieve the best-possible execution of client orders for buying or selling securities or other financial instruments. Through these measures, ZKBUK implements the regulatory requirements in respect of the best execution of client orders in accordance with the Markets in Financial Instruments Directive 2014/65/EU ("**MiFID II**"), Commission Delegated Regulation (EU) 2017/565 and under the Financial Conduct Authority ("**FCA**") Handbook.

The execution policy provides the basis on which orders are executed by ZKBUK. An electronic version of this policy can be found on the ZKBUK website. ZKBUK assumes that its clients consent to the execution policy if they place orders after publication of this policy.

## 2 Scope

### 2.1 What does best execution mean?

Best execution requires the taking of all sufficient measures to systematically obtain the best-possible result when executing client orders (see Section 5) taking account of the execution factors (see Section 4).

### 2.2 Application of best execution

This execution policy and thus the requirements for best possible execution of client orders ("best-execution requirements") apply to the execution or transmission of orders that the client places with ZKBUK for buying and selling listed equities and exchange traded funds (ETFs), and non-listed equities.

ZKBUK applies the execution policy to all client orders to buy or sell these financial instruments, irrespective of the form of execution.

### 2.3 Non-application of best execution

ZKBUK does not owe best execution obligations in respect of clients that are eligible counterparties for the purposes of MiFID II.

ZKBUK is also not obliged to adhere to the principle of best execution if the client gives specific instructions according to which the best execution requirements do not apply.

If the client does not provide any specific instructions or if an instruction from the client only relates to part of

the order, ZKBUK will execute the order or the relevant part of the order in accordance with its execution policy.

If a client is a professional client for the purposes of MiFID II and has provided its consent to ZKBUK, its orders may be executed outside an EU "trading venue" (a "regulated market", "organised trading facility" or "multilateral trading venue", each as defined in MiFID II). Orders of clients that are eligible counterparties for the purposes of MiFID II may be executed outside an EU "trading venue" without such consent. This means that orders may be executed over-the-counter (OTC) or on non-EU trading venues, which may not have the same levels of regulation, client protection or market standards as EU trading venues.

## 3 Execution type and execution venue

Basically, client orders/commission-based transactions can be processed in two different ways:

- Execution of orders: Placement of an order for the client at an execution venue.
- Receipt and transmission of orders ("RTO"): In this case ZKBUK transmits the order to a broker.

If no distinction is made in this document between the execution and transmission of orders, "execution of orders" refers to both execution types.

As set out in Section 5, in order to ensure the best possible result for the client, ZKBUK's preferred and default option is to transmit orders to **Zürcher Kantonalbank** for execution. Orders for buying or selling securities or other financial instruments are executed by Zürcher Kantonalbank in accordance with the measures taken by Zürcher Kantonalbank for achieving the best possible execution. Information about Zürcher Kantonalbank's execution policy for all clients is available upon request or at [www.zkb.ch/en/gs/legal-information/trading/execution-principles.html](http://www.zkb.ch/en/gs/legal-information/trading/execution-principles.html).

ZKBUK executes transactions on a riskless, matched principal basis only, entering into transactions with clients or counterparties only following the conclusion of an equal and opposite transaction on a trading venue or OTC via a broker by or with a counterparty to ZKBUK. ZKBUK may transmit orders for execution in this way by its affiliates, including Zürcher Kantonalbank. All corresponding transactions are executed simultaneously and on equal economic terms to one another, although

fees, charges or commissions may differ or apply in addition.

Entry into by ZKBUK of any transaction with the client is contingent and conditional upon a trading venue transaction being executed or an OTC transaction with a counterparty being entered into. Payment or delivery or other performance by ZKBUK is contingent upon payment, delivery or other performance by the counterparty under the other leg of the transaction in respect of which ZKBUK acts as matched principal.

#### 4 Execution factors

To ensure best execution, the following execution factors are taken into account when executing client orders:

1. Price: the price of the financial instrument being traded.
2. Costs: the costs that ZKBUK can charge the client for executing the order (see Section 6).
3. Speed of execution: the time taken from the placing of the order until its execution.
4. Likelihood of execution: the likelihood of the client order being executed in full.
5. Likelihood of settlement: the likelihood of the client order being settled completely and successfully.
6. Size: the size of the client order, taking account of the extent to which this influences the execution price.
7. Nature of the order and any other consideration relevant to execution.

In respect of listed equities and exchange-traded investment funds, the execution factors are generally ranked as follows:

1. Price
2. Costs
3. Speed of execution

Speed of execution as an execution factor may be given the same or a higher level of priority as other factors for certain orders.

#### 5 Execution criteria

When prioritizing the execution factors, the following execution criteria among others are taken into account:

- Client characteristics;
- Characteristics of the financial instrument or transaction on which the client order is based;

- Characteristics of the execution venues at which the client order can be executed;
- Market conditions at the time of the client order being received.

ZKBUK has chosen to transmit orders to Zürcher Kantonalbank for execution in order to ensure the best possible execution for its client orders, taking into account the execution factors. These arrangements are kept under review.

ZKBUK transmits orders to Zürcher Kantonalbank for execution at any of the following execution venues:

- Stock exchanges and regulated markets
- Multilateral trading facilities
- Organised trading facilities
- Systematic internalisers
- Market maker
- Brokers and other liquidity providers
- Zürcher Kantonalbank's trading book where it is acting in capacity of counterparty or liquidity provider

All of these venues are referred to in this execution policy as "execution venues". Only stock exchanges, regulated markets, multilateral trading systems and organised trading systems are referred to as "trading venues".

Financial instruments admitted to trading at a trading venue may be traded outside of the trading venue directly between the market participants on an OTC basis. This means that ZKBUK may execute orders with Zürcher Kantonalbank, which is not itself a trading venue. Zürcher Kantonalbank may itself execute orders either against its own trading book, on another execution venue or OTC.

The possibility of executing the order on an OTC basis including with Zürcher Kantonalbank's trading book extends the scope of action of ZKBUK and thus helps to improve execution quality.

#### 6 Costs of order execution

ZKBUK may charge the client various costs for the execution of orders. These fall into the following categories:

- Trading venue fees: There will be fees payable to the respective trading venue in relation to direct market access by ZKBUK or following execution via a broker.

- Broker's fee: Where ZKBUK has no direct market access, fees will be charged by the broker that provide this market access.
- Settlement fees: Settlement fees are fees charged by external settlement institutions and custodians for the settlement or custody of financial instruments.
- ZKBUK fees: These are reported as "own commission" or "own brokerage fee" or are included in the price in the form of a mark-up.

Where ZKBUK aggregates orders with other client orders, it ensures fair allocation. In addition to volume, price and costs, it may also take into account the fact that the orders could not have been executed at all or not in the chosen manner.

ZKBUK does not aggregate client orders with its own transactions.

ZKBUK ensures that its fees are appropriate and fair taking into account product type and the volume and size of the transaction. Additionally, ZKBUK does not accept any payments for the allocation of client orders to certain execution venues. However, ZKBUK or one of its affiliates may receive a commission from an issuer in the case of new issues of structured products from one of its group companies ("issuer").

## **7 Monitoring and duty of disclosure**

ZKBUK has developed procedures and methods in order to review the execution quality achieved. This ensures in particular that the execution venues selected by ZKBUK guarantee the best execution of client orders on a consistent basis.

The execution venues and this execution policy are reviewed at least once per year and following any material changes. The most recent version of this execution policy will be available on the ZKBUK website.

Additionally, once per year ZKBUK publishes the top five execution venues (Top 5 report) for each asset class in terms of trading volume in the previous year, as well as information on the level of execution quality, on its website.

Upon request, ZKBUK will demonstrate to its clients how their orders were executed in accordance with its execution policy or in line with the client's specific instructions.

## **8 Handling of Client Orders**

ZKBUK executes comparable client orders immediately in the sequence they are received, except when (i) this is not possible owing to the nature of the order or market conditions, (ii) this is not in the interest of the clients, (iii) the client expects its orders to be aggregated and executed in one order and settled at the same price, or (iv) the client gives other relevant instructions.