

# Order Execution Policy

## 1. Introduction

HSBC Trinkaus & Burkhardt AG („Bank“) is obliged to take all sufficient steps - in particular, to establish and regularly review an order execution policy - to obtain the best possible result for its clients and to ensure that client orders are executed in accordance with the policy.

### 1.1 Scope

This policy applies to the execution of orders, which a retail or professional client within the meaning of the German Securities Trading Act (WpHG) places with the Bank for the purpose of buying or selling securities or other financial instruments (e.g. options). In this context, execution of an order means that the Bank, on the basis of a client order, will carry out a transaction for the account of the client with another party on a suitable market (agency transaction). If the Bank and client directly enter into an agreement to buy or sell financial instruments (principal transaction), section 1.7 of this policy is applicable. This policy is also applicable if the Bank buys or sells financial instruments for the account of a client when fulfilling its duties under a portfolio management contract with the client. Within the scope of section 68 WpHG, this execution policy does not apply in respect of eligible counterparties.

### 1.2 Order execution

Client orders can be executed in different ways and on different execution venues, such as regulated markets, multilateral trading facilities (MTFs), organised trading facilities (OTFs), systematic internalisers (SIs) or other liquidity providers. The execution methods and possible execution venues for the different types of financial instruments as described below, generally provide the best possible result for a client on a consistent basis and are therefore used by the Bank to execute client orders.

### 1.3 Factors and principles

The Bank takes the following execution factors into consideration when determining a specific execution venue:

- Price of the financial instrument
- Cost of execution
- Speed of execution
- Likelihood of order execution
- Size and nature of the order
- Speed and likelihood of settlement
- Other qualitative factors

The Bank assumes that the client primarily wants to achieve the best possible price – taking into account the total costs associated with the order execution. Because securities are generally subject to market price fluctuations and clients could therefore become exposed to detrimental movements during the period after the order is placed, the Bank will then primarily consider those execution venues on which the execution is likely to be timely and complete. The size and nature of the order are key factors in this decision. Finally, the selection of the specific execution venue is based on the speed and likelihood of settlement, with consideration given to other qualitative factors such as clearing schemes, circuit breakers or scheduled actions.

### 1.4 Transmission of orders

If the Bank does not have direct access to an execution venue, it will not execute a client's order itself, but will forward it to another investment services firm for execution in adherence with this policy. In such cases, client orders are then handled in accordance with the measures taken by the other investment services firm in regard to achieving the best possible execution.

### 1.5 Client instructions

Clients may instruct the Bank which execution venues are to be used for the execution of their orders. Such instructions have primacy over this order execution policy. If the client instruction relates to an execution venue abroad, the Bank will rely on other investment services firms (brokers) to execute the order. In such cases, these brokers execute orders in accordance with their own execution policy and the regulations in force in the relevant country. It is possible in these circumstances, especially outside the EU, that an order with a specific client instruction concerning the execution venue could be forwarded for execution to a different execution venue by the broker or by the selected execution venue itself because of local regulations. If this occurs, the obligation of the Bank to execute the order in accordance with the instruction regarding the execution venue is fulfilled by routing the order to the broker. The Bank will often instruct companies in the HSBC Group as brokers.

If a client issues an order that specifies a particular broker, the Bank will first check the order and, if it accepts the order, then forward it to the broker concerned. The order will then be executed in accordance with the relevant broker's order execution policy.

**Important: Specific instructions from a client may prevent the Bank from taking the steps it has designed and implemented in its order execution policy to obtain the best possible result for the execution of those orders. If the Bank executes an order or a specific aspect of an order following specific instructions from the client, its duty to achieve the best possible result is deemed to have been fulfilled in that regard.**

### 1.6 Different execution under special circumstances

If extraordinary market conditions or market disruption necessitate execution that does not comply with this policy, the Bank will execute orders in the best interests of clients (section 384 of the German Commercial Code [HGB]).

### 1.7 Principal transactions

If the Bank and its client have entered into an agreement to buy or sell financial instruments at a fixed or determinable price (principal transaction), this execution policy applies to a limited extent. The Bank and client have a direct contractual obligation to deliver the financial instruments and to pay the agreed price. This also applies if the Bank and client enter into agreements covering financial instruments, such as options, that are not traded on an exchange. In the case of principal transactions, the Bank will fulfil its obligation to provide the best possible result by quoting market prices. The Bank's profit element is included in the fixed price. Other costs, such as brokerage fees etc. do not apply.

If a situation arises in which a professional client acts on its own initiative and requests a quote from the Bank for a specific financial instrument, then enters into a principal transaction on this basis and the client is able to compare terms from a number of investment services firms because of a high degree of transparency in the market concerned, the Bank is generally not subject to best execution obligation. The Bank generally considers these criteria to be fulfilled if a professional client enters into a relevant principal transaction with the Bank on a multilateral trading facility (MTF) involving multiple market participants.

The execution principles mentioned underneath list the circumstances in which the Bank is acting as principal.

### **1.8 Aggregation of orders**

In the interest of its clients, the Bank may combine purchase or sell orders for the portfolios of several clients and execute them as one combined order (collective order), particularly in connection with portfolio management and fund orders. Orders will only be aggregated, if it is unlikely to disadvantage a client.

### **1.9 Information on execution venues and execution quality**

Once a year, the Bank will publish on its website ([www.hsbc.de/de-de/legal-resources](http://www.hsbc.de/de-de/legal-resources)) a summary for each type of financial instrument showing the five most significant execution venues in terms of trading volume, together with information about the level of execution quality achieved. You can also find the latest version of the order execution policy here.

### **1.10 Review of execution policy**

The Bank will review its order execution policy at least once a year. In addition to the annual review, the Bank will also carry out a review if it becomes aware of any material change that would result in it being unable to ensure that orders are consistently executed in the best interests of clients.

The Bank will carry out regular internal checks and quantitative analyses to review execution quality and ensure that the selection of execution venues results in the best possible result for its clients. This process will also take into account, in particular, any information on order execution quality provided by the execution venues.

## **2. Execution principles for different types of financial instruments**

### **2.1 Interest-bearing (debt) securities**

Provided the size of an order suggests that execution on an exchange is possible, then the Bank will execute an order for interest-bearing (debt) securities as an agency transaction on a domestic exchange, or, if the security is not listed domestically, on the foreign exchange on which trading is possible. If the size of the order or other reasons suggest that it is not readily possible to execute the order on an exchange, then the Bank will forward the order for execution to a different execution venue via a suitable broker.

The Bank also offers clients the opportunity to purchase interest-bearing securities (including zero-coupon bonds) directly from the Bank and to sell them back to it, in both cases at a fixed price. Details of the securities currently available, including prices, can be obtained from the Bank. The Bank will execute orders involving certain interest-bearing securities as a systematic internaliser. In such cases, the client is exposed to a counterparty default risk in respect of the Bank. In the case of principal transactions involving other interest-bearing securities, the Bank will routinely enter into back-to-back transactions with other companies in the HSBC Group that may be registered as systematic internalisers.

### **2.2 Equities**

The Bank will execute orders in German shares listed on a domestic stock exchange on an exchange in Germany during the exchange opening hours/trading times.

Orders for foreign shares that are quoted in EUR on both a German and a foreign stock exchange will generally also be executed on a German stock exchange because processing costs for cross-border orders are higher. For relatively large orders, the Bank will generally select execution on the stock exchange in the country where the relevant company is registered because liquidity will be higher and processing costs are less relevant due to the order size. A different stock exchange will be selected if the principal trading venue for a foreign share is not in the country where the company is registered and, for example, it appears to be in the interest of the client for reasons of liquidity, processing (particularly when selling shares issued abroad) or security of execution. The same applies to orders for foreign shares that are not quoted in EUR or cannot be traded within Germany.

When executing orders abroad, the Bank makes use of its own stock exchange memberships or suitable brokers with access to the relevant execution venue. In such cases, these brokers execute orders in accordance with their own order execution policy and the regulations in force in the relevant country, and may act as systematic internalisers. The Bank will often instruct companies in the HSBC Group as brokers.

If, in any given case, the size of the order suggests that a different manner of execution be performed, then the Bank shall execute the order in the best interest of the client.

### **2.3 Securitised derivatives**

The Bank generally executes orders in securitised derivatives, such as certificates or warrants, as agency transactions via a German exchange. If securities are not listed on a German exchange but are listed on an exchange abroad, the Bank executes orders on that exchange.

In the case of certificates or warrants issued by the Bank itself, the Bank may offer to buy or sell these securities directly from the Bank as principal. The Bank will execute these orders as a systematic internaliser outside a trading venue. In such cases, the client is exposed to a counterparty default risk in respect of the Bank.

### **2.4 Financial derivatives**

Financial derivatives include financial futures traded on exchanges at standard terms and conditions and those traded bilaterally between the client and the Bank. Special conditions or specific agreements are used, depending on the financial instrument (e.g. special conditions for forward trading, master agreement for financial futures).

The Bank executes orders for exchange-traded financial derivatives on the exchanges on which such contracts are traded. The Bank may instruct a company in the HSBC Group to act as broker.

Bilateral agreements between counterparties are used for non-exchange-traded financial derivatives, such as forward foreign-exchange and commodity transactions, options, swaps or combinations of these products. Multilateral trading facilities may be used to enter into these agreements in certain circumstances. The Bank will execute orders involving currency derivatives as a systematic internaliser. In such cases, the client is exposed to a counterparty default risk in respect of the Bank. In the case of principal transactions involving non-exchange-traded financial derivatives, the Bank will routinely enter into back-to-back transactions with other companies in the HSBC Group that may be registered as systematic internalisers. If the Bank itself is not the client's counterparty, the Bank can refer transactions of this type to other HSBC Group companies, but not to other banks or financial services institutions, unless otherwise agreed with the client on a case-by-case basis.

## 2.5 Investment fund units

The German Investment Code (KAGB) states that the issuance of units in investment funds at the issue price and the redemption of investment-fund units at the redemption price are not subject to the legal provisions governing the best execution of client orders within the meaning of the WpHG.

The Bank executes buy or sell orders for units in investment funds in compliance with the provisions of the German Investment Code by transmitting them to the fund management company or to a company the latter has instructed to accept orders of this type, even if the funds in question are traded in the open market segment of a German stock exchange.

In the case of exchange-traded funds (ETFs) quoted in EUR, the Bank will execute related buy or sell orders on the domestic exchange on which the fund concerned is listed. If the size of the order or other reasons mean that it is not readily possible to execute the order on an exchange, the Bank will select a different execution venue based on liquidity considerations. The same applies to orders for ETFs traded on a foreign exchange or not quoted in EUR.

## 2.6 Tradable subscription rights

Domestic trading in subscription rights starts on the first day of the subscription period and continues for the entire subscription period. During this period, subscription rights can be exercised and/or traded. Client orders received by the Bank are transmitted to a German stock exchange for execution. There is no limit to the number of orders taken for settling fractions that may arise from exercising subscription rights. Provided the Bank has not received instructions to the contrary from a client by the end of the penultimate day of subscription rights trading, all domestic subscription rights in client portfolios are sold at the best possible terms. The Bank is permitted to instruct foreign subscription rights to be sold at the best possible terms in accordance with custom and practice abroad.

## 2.7 Other financial instruments

The Bank will accept orders for other financial instruments, i.e. financial instruments not referred to in section 2 or that cannot be clearly assigned to any of the types of financial instrument specified in section 2, only if the order is accompanied by an instruction from the client as these products tend to have a non-standardised structure.

## 3. List of execution venues

The Bank places significant reliance in meeting its obligation to take all sufficient steps to obtain on a consistent basis the best possible result for the execution of retail and professional client orders on the execution venues shown below. This list is not exhaustive.

### 3.1 German exchanges

Where client orders for interest-bearing securities, equities, securitised derivatives or subscription rights are executed in Germany as agency transactions, the Bank may make direct use of the following German exchanges to achieve the best possible outcome for the client and execute orders in the regulated market or open market:

- Berlin Stock Exchange (<http://www.boerse-berlin.de>)
- Düsseldorf Stock Exchange (<http://www.boerse-duesseldorf.de>)
- Frankfurt Stock Exchange (<http://boerse-frankfurt.com>)
- Hamburg Stock Exchange (<http://www.boersenag.de>)
- Hannover Stock Exchange (<http://www.boersenag.de>)
- Munich Stock Exchange (<http://www.boerse-muenchen.de>)
- Stuttgart Stock Exchange (<http://www.boerse-stuttgart.de>)
- Tradegate (<http://www.tradegate.de>)
- XETRA (<http://deutsche-boerse.com>)

The Bank may execute orders for exchange-traded financial derivatives directly on the following German derivatives exchange:

- EUREX (<http://www.eurexchange.com>)

### 3.2 Foreign exchanges

- Vienna Stock Exchange (<http://www.wienerborse.at>)

### 3.3 Multilateral trading facilities

Agency transactions in interest-bearing securities that are to be executed outside the regulated market:

- Bloomberg MTF (<http://www.bloomberg.com>)

Principal transaction in interest-bearing securities:

- Bloomberg MTF (<http://www.bloomberg.com>),
- MarketAxess (<http://www.marketaxess.com>),
- Tradeweb (<http://www.tradeweb.com>),
- MTS BondVision (<http://www.mtsmarkets.com>)

In the circumstances specified in section 2.1, the Bank will act as a systematic internaliser. In the case of principal transactions involving other interest-bearing securities, the Bank will routinely enter into back-to-back transactions with other companies in the HSBC Group that may be registered as systematic internalisers.

Non-exchange-traded currency derivatives:

- 360T (<http://www.360t.com>)
- Bloomberg MTF (<http://www.bloomberg.com>)
- Currenex (<http://www.currenex.com>)
- EBS (<http://www.ebs.com>)
- FX Connect (<http://www.fxconnect.com>)
- Thomson Reuters FXall (<http://www.fxall.com>)

In the circumstances specified in section 2.4, the Bank will act as a systematic internaliser. In the case of principal transactions involving other non-exchange-traded financial derivatives, the Bank will routinely enter into back-to-back transactions with other companies in the HSBC Group that may be registered as systematic internalisers.

### 3.4 Execution via brokers

The Bank can make use of other foreign execution venues with the involvement of brokers, primarily companies in the HSBC Group. Extract from the list of exchanges accessible to the Bank via brokers:

#### Europe

- Athens - Athens Exchange (<http://www.athexgroup.gr>)
- Bern - BX Swiss (<http://www.bxs.com>)
- Bratislava - Burza cenných papierov v Bratislave / Bratislava Stock Exchange (<http://www.bsse.sk>)
- Budapest - Budapesti Ertektözsde / Budapest Stock Exchange (<http://www.bse.hu>)
- Bucharest - Bursa de Valori Bucuresti / Bucharest Stock Exchange (<http://www.bvb.ro>)
- Dublin - Irish Stock Exchange (<http://www.ise.ie>)
- Helsinki - Nasdaq Helsinki (<http://www.nasdaqomx.com>)
- Istanbul - Borsa Istanbul / Istanbul Stock Exchange (<http://borsaistanbul.com/en>)
- Copenhagen - Nasdaq Copenhagen (<http://www.nasdaqomx.com>)
- Luxembourg - Luxembourg Stock Exchange (<http://bourse.lu>)
- Ljubljana - Ljubljanska Borza / Ljubljana Stock Exchange (<http://www.ljse.si>)
- London - London Stock Exchange (LSE) (<http://www.londonstockexchange.com>)
- Madrid - Bolsa de Madrid (<http://www.bolsamadrid.es>)
- Milan - Borsa Italiana / London Stock Exchange Group (<http://www.borsaitaliana.it>)
- Moscow - Moscow Exchange (<http://moex.com>)
- NYSE Euronext - Euronext Amsterdam / Brüssel, Lissabon, Paris (<http://www.euronext.com>)
- Oslo - Oslo Børs (<http://www.oslobors.no>)
- Prague - Burza Cennych Papiru Praha / Prague Stock Exchange (<http://www.pse.cz>)
- Riga - Nasdaq Riga (<http://www.nasdaqomxbaltic.com>)
- Sofia - Bulgarian Stock Exchange (<http://www.bse-sofia.bg>)
- Stockholm - Nasdaq Stockholm (<http://www.nasdaqbaltic.com>)
- Tallinn - Nasdaq Tallinn (<http://www.nasdaqbaltic.com>)
- Vilnius - Nasdaq Vilnius (<http://www.nasdaqbaltic.com>)
- Warsaw - Gielda Papierow Wartosciowych w Warszawie / Warsaw Stock Exchange (<http://gpw.pl>)
- Vienna - Wiener Börse (<http://www.wienerborse.at>)
- Zagreb - Zagrebacka Burza / Zagreb Stock Exchange (<http://www.zse.hr>)
- Zurich - SIX Swiss Exchange (<http://www.six-swiss-exchange.com>)

#### Americas

- Bogota - Bolsa de Valores de Colombia (<http://www.bvc.com.co>)
- Lima - Bolsa de Valores de Lima (<http://www.bvl.com.pe>)
- Mexico/D.F. - BMV - Bolsa Mexicana de Valores (<http://www.bmv.com.mx>)
- NASDAQ (<http://www.nasdaq.com>)
- NYSE Euronext - New York Stock Exchange (<http://www.nyse.com>)
- Santiago de Chile - Bolsa de Santiago (<http://www.bolsadesantiago.com>)
- Sao Paulo - BM&FBOVESPA (<http://b3.com.br>)
- Toronto - TMX Canadian Markets - Toronto Stock Exchange & TSX Venture Exchange (<http://www.tmx.com>)

## Asia

- Abu Dhabi - ADX, Abu Dhabi Securities Exchange (<http://www.adx.ae>)
- Amman - Amman Stock Exchange (<http://www.ase.com.jo>)
- Bahrain - Bahrain Bourse (<http://www.bahrainbourse.com>)
- Bangkok - SET, The Stock Exchange of Thailand (<http://www.set.or.th/en>)
- Colombo - CSE, Colombo Stock Exchange (<http://www.cse.lk>)
- Dubai - Nasdaq Dubai (<http://www.nasdaqdubai.com>)
- Hanoi - HNX, Hanoi Stock Exchange (<http://www.hnx.vn>)
- Ho Chi Minh City - HOSE, Hochiminh Stock Exchange (<http://www.hsx.vn>)
- Hong Kong - HKEX, Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>)
- Jakarta - Bursa Efek Indonesia / IDX Indonesia Stock Exchange (<http://www.idx.co.id>)
- Karachi - Pakistan Stock Exchange Limited (<http://www.kse.com.pk>)
- Kuala Lumpur - Bursa Malaysia (<http://www.bursamalaysia.com/market/>)
- Mumbai - Indian Stock Exchange BSE & NSE (<http://www.bseindia.com> & <http://www.nseindia.com>)
- Muscat - Oman Securities Market (<http://www.msm.gov.om>)
- Philippines - PSE, Philippine Stock Exchange (<http://www.pse.com.ph>)
- Riyadh - The Saudi Stock Exchange (Tadawul) (<http://www.tadawul.com.sa>)
- Seoul - KRX Korea Exchange (<http://eng.krx.co.kr>)
- Shanghai - SSE, Shanghai Stock Exchange (<http://www.sse.com.cn>)
- Shenzhen - SZSE, Shenzhen Stock Exchange (<http://www.szse.cn/main/en>)
- Singapore - SGX, Singapore Exchange Ltd. (<http://www.sgx.com>)
- Taipei - TWSE, Taiwan Stock Exchange (<http://www.twse.com.tw/en>)
- Tel Aviv - TASE, Tel-Aviv Stock Exchange (<http://www.tase.co.il>)
- Tokyo Stock Exchange / JPX Japan Exchange Group (<http://www.tse.or.jp>)

## Australia / New Zealand

- Sydney - ASX, Australian Stock Exchange (<http://www.asx.com.au>)
- Wellington - NZX New Zealand's Exchange (<http://www.nzx.com>)

## Africa

- Johannesburg – JSE Ltd. (<http://www.jse.co.za>)
- Cairo – EGX, The Egyptian Exchange (<http://www.egx.com.eg/en/homepage.aspx>)
- Mauritius - Stock Exchange of Mauritius (<http://www.stockexchangeofmauritius.com>)

## Derivatives exchanges

### Europe

- Athens - ADEX, Athens Exchange S.A. Derivatives Market (<http://www.adex.ase.gr>)
- London - LIFFE Futures & Options / NYSE Euronext Group (<http://www.euronext.com>)
- Madrid - MEFF, Spanish Financial Futures & Options Exchange (<http://www.meff.es>)
- Milan - Borsa Italiana Italian Derivatives Markets / London Stock Exchange group (<http://www.borsaitaliana.it>)

### Americas

- Chicago - CBOE, Chicago Board Options Exchange (<http://www.cboe.com>)
- Chicago - CME Group (<http://cmegroup.com>)
- New York - CME Group (<http://cmegroup.com>)
- New York - ICE Intercontinental Exchange (<http://www.theice.com/index>)

### Asia

- Hong Kong - HKEx, Hong Kong Stock Exchange (<http://www.hkex.com.hk>)
- Korea - KRX - Korea Exchange (<http://eng.krx.co.kr>)
- Tokyo - TSE, Tokyo Stock Exchange Group (<http://www.jpjx.co.jp/english>)

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