

# BEST EXECUTION POLICY

May 2022



## 1. INTRODUCTION

Nedbank Limited, London Branch is required to establish and implement a Best Execution Policy under the requirements set out in the Conduct of Business Sourcebook in the Financial Conduct Authority's Handbook ('FCA Handbook'). Accordingly, Nedbank will take all sufficient steps to obtain the best possible result for its Professional Clients when executing Client Orders.

## 2. DEFINITIONS

'Client' has the same meaning as Professional Client - see definition below.

'Eligible Counterparty' means each of the following (including an entity that is not from an EEA state that is equivalent to any of the following) unless and to the extent it is given a different categorisation under MiFID II:

- i. An investment firm;
- ii. A credit institution;
- iii. An insurance company;
- iv. A collective investment scheme authorised under the UCITS Directive or its management company;
- v. A pension fund or its management company;
- vi. Another financial institution authorised or regulated under EU legislation or the national law of an EEA state;
- vii. A national government or its corresponding office, including a public body that deals with the public debt;
- viii. A central bank; or
- ix. A supranational organisation.

Additionally, Nedbank may treat a client as an elective eligible counterparty if:

- i. the client is an undertaking and:
  - a) is a per se professional client; and
  - b) requests such categorisation and is an elective professional client, but only in respect of the services or transactions for which it could be treated as a professional client; and
- ii. Nedbank has, in relation to MIFID II or equivalent third country business, obtained express confirmation from the client that it agrees to be treated as an eligible counterparty.

Nedbank may obtain a client's confirmation that it agrees to be treated as an eligible counterparty either in the form of a general agreement or in respect of each individual transaction.

'Execution Venue' means a Regulated Market, an MTF, an OTF, a Systematic Internaliser, a market maker or other liquidity provider or an entity that performs a similar function in a third country to the function performed by any of the foregoing.

'Financial Instruments' means those instruments specified in Part 1 of Schedule 2 to the UK Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and includes but is not limited to:

- i. transferable securities;
- ii. money market instruments;
- iii. units in collective investment undertakings;
- iv. various options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, financial indices, financial measures or commodities;
- v. derivative instruments for the transfer of credit risk; and
- vi. financial contracts for difference.

For clarity, "Financial Instruments" do not include spot foreign exchange transactions, money market deposits or loans and certain exclusions apply to commodities.

'MiFID II' means the Directive 2014/65/EU of the European Parliament and the Council of 15 May 2014 on Markets in Financial Instruments and any implementing directives and regulations.

'Multilateral Trading Facility' (MTF) means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in Financial Instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with the provisions of Title II of MiFID II.

'Nedbank' refers to Nedbank Limited, London Branch, which is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority.

'Order' means an instruction to buy or sell a Financial Instrument which is accepted by Nedbank for execution or transmission to a third party.

'Organised Trading Facility' (OTF) means a multilateral system which is not a Regulated Market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of MiFID II.

'Professional Client' means a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs. In order to be considered a professional client, the client must comply with the following criteria:

- i. An entity required to be authorised or regulated to operate in the financial markets, whether authorised by an EEA state or a third country, including the following:
  - A credit institution;
  - An investment firm;
  - An insurance company;
  - A Collective Investment Scheme authorised or its management company;
  - A pension fund or its management company;



- A commodity or commodity derivatives dealer;
  - A local; or
  - Any other institutional investor;
- ii. In relation to MiFID II or equivalent third country business, a large undertaking meeting two of the following size requirements on a company basis:
- balance sheet total of EUR 20,000,000 or greater;
  - net turnover of EUR 40,000,000 or greater;
  - own funds of EUR 2,000,000 or greater;
- iii. A national or regional government (excluding local public authorities and municipalities), a public body that manages public debt, a central bank, an international or supranational institution or another similar international organisation; or
- iv. Another institutional investor whose main activity is to invest in Financial Instruments (in relation to the firm's MiFID II or equivalent third country business) or designated investments. This includes entities dedicated to the securitisation of assets or other financial transactions.

Please see the criteria laid down in Annex II of MiFID II for further details.

**'Regulated Market'** means a multilateral system operated and/or managed by a market operator which brings together or facilitates the bringing together of multiple third-party buying and selling interests in Financial Instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the Financial Instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of MiFID II.

**'Systematic Internaliser'** means an investment firm which, on an organised, frequent, systematic and substantial basis, deals on own account when executing Client Orders outside a Regulated Market, MTF, OTF without operating a multilateral system.

**'Trading Venue'** means a Regulated Market, an MTF or an OTF.

### 3. SCOPE

Nedbank is required to provide sufficient information to its Clients on its Best Execution Policy and to execute Orders from Clients in a prompt, fair and expeditious manner, relative to other Orders or the trading interests of Nedbank. Nedbank must also comply with certain requirements in respect of the aggregation and allocation of Orders from Clients.

Nedbank's MiFID II Best Execution Policy applies only to Professional Clients and covers only regulated Financial Instruments. The policy does not apply to a client who has been categorised as an Eligible Counterparty, however, Nedbank will act honestly, fairly and professionally in all of its dealings with Eligible Counterparties.

### 4. BEST EXECUTION – PROFESSIONAL CLIENTS

#### Consent

Nedbank is required to obtain consent from each Client in regard to the policy, however, the policy will not apply if a Client has been categorised as an Eligible Counterparty.

There are two consent requirements:

- i. Consent to Nedbank's MiFID II Best Execution Policy by the Client – this will be deemed to have been given on the basis of an Order being placed or transaction entered into with Nedbank by the Client at any time after 3rd January 2018.
- ii. For a Financial Instrument admitted to trading on a Trading Venue, Nedbank is also required to obtain a Client's prior express consent before executing an Order in such an instrument outside of a Trading

Venue. The Order Execution and Handling Consent Form provides for this requirement and the Client must therefore sign and return the form in order to trade outside of a Trading Venue.

#### Legitimate Reliance

Nedbank's MiFID II Best Execution Policy applies where Nedbank either receives an Order(s) from a Client and/or executes an Order(s) on behalf of a Client.

Nedbank will assess whether a Professional Client places legitimate reliance on Nedbank based on the four-fold test as published by the European Commission:

- Which party initiates the transaction;
- Market practice and the existence of conventions;
- The level of price transparency within a market; and
- Information provided by Nedbank and any agreement reached.

In the event that a Client initiates a transaction by contacting Nedbank and requests a quote then the starting point of this assessment shall be that the Client does not place legitimate reliance on Nedbank to achieve best execution.

#### Client Order Execution Factors and Execution Criteria

When executing Orders on behalf of a Client who places legitimate reliance on Nedbank, and subject to any specific instructions that may be given, Nedbank will take all sufficient steps to obtain the best possible result for the Client, taking the following execution factors into account:

- Price
- Costs
- Speed of execution
- Likelihood of execution
- Size of the Order
- Nature of the Order
- Any other consideration relevant to the execution of the Order.

Nedbank will determine the relative importance of each of the above factors by using the following execution criteria:

- The characteristics of the Client
- The characteristics and nature of the Order
- The characteristics of the Financial Instruments that are subject to the Order
- The Execution Venues to which the Order can be directed

Ordinarily price will merit a high relative importance in obtaining the best possible result and this is the case for all asset classes for which Nedbank executes an Order(s) on behalf of a Client. However, in some circumstances Nedbank may appropriately decide that other factors are more important than price in obtaining the best possible execution result.

#### Execution Venues

Nedbank will consider all sources of reasonably available information, including Trading Venues, brokers or data vendors, to obtain the best possible result for the Client where Nedbank owes best execution.

Nedbank does not typically pass external costs, such as fees payable to Trading Venues or brokers, onto its Clients. Costs will be embedded in the 'all-in' price on a non-discriminatory basis.

Nedbank does not receive any remuneration, discount or non-monetary benefit for routing Client Orders to any particular Execution Venue which would infringe on the conflicts of interest requirements or the MiFID II regime on inducements.

Following the execution of an Order, Clients will be informed of the Execution Venue on which the Order was executed.



## OTC Transactions

Where Orders are executed outside of a Trading Venue, there may be additional risks such as liquidity and counterparty risk. Please refer to Nedbank's Terms of Business for further information.

When executing Orders or making decisions to deal in products that can be traded OTC, including bespoke OTC products, Nedbank shall check the fairness of the price proposed to the Client by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

## Specific Client Instructions

Where a Client gives Nedbank a specific instruction in regard to the execution of an Order, Nedbank will execute the Order in accordance with those specific instructions. Where instructions are given by a Client that relate to only part of the Order, Nedbank will continue to apply its MiFID II Best Execution Policy to those elements of the Order not covered by the specific instructions.

A Client should be aware that providing specific instructions in relation to the execution of a particular Order may prevent Nedbank from acting wholly or partly in accordance with its MiFID II Best Execution Policy to obtain the best possible result in respect of the elements covered by those instructions.

## Monitoring and Review

Nedbank will monitor the effectiveness of its MiFID II Best Execution Policy and where appropriate, it may be updated.

Nedbank operates a three lines of defence model and will review its best execution arrangements on a regular basis. The MiFID II Best Execution Policy will be reviewed annually or whenever a material change occurs that affects Nedbank's ability to continue to obtain the best possible results for its Clients.

Nedbank will notify its Clients of any material changes to the execution arrangements or the Best Execution Policy by posting an updated version of this document on [www.nedbank.co.uk](http://www.nedbank.co.uk)

## Request to demonstrate best execution

Upon reasonable request from a Client, Nedbank will demonstrate that it has executed an Order in accordance with its Best Execution Policy.

## Contacts

Questions regarding this policy or Nedbank's best execution arrangements should be directed to:

Gareth Allott  
Head: Markets, London  
[gallott@nedbank.co.uk](mailto:gallott@nedbank.co.uk)  
+44 (0)20 7002 3400

If a Client has concerns that Nedbank has not complied with this policy or the wider Client Order requirements in MiFID II then please contact:

[londoncompliance@nedbank.co.uk](mailto:londoncompliance@nedbank.co.uk)  
+44 (0)20 7002 3400



## APPENDIX I – PRIORITISATION OF EXECUTION FACTORS BY ASSET CLASS

### Fixed Income – Bonds and other Debt Instruments

Nedbank typically acts as principal whereby it quotes executable prices on Trading Venues or responds to a Request for Quote via electronic or non-electronic methods. In these instances, multiple dealers offer prices in competition and Nedbank will not owe best execution. The price quoted to a Client may be determined outside of the EU (e.g. by its Head Office in South Africa).

Where Nedbank trades with a Client on a riskless principal basis or works an Order for a Client then the best execution requirements will typically apply. Where an Order is worked in liquid markets, in the absence of specific Client instructions, Nedbank will execute an Order by giving consideration, ranked in order, to:

1. Price
2. Speed of execution
3. Size of the Order
4. Likelihood of execution

The other execution factors are expected to have a significantly lower weighting.

In illiquid markets, likelihood of execution is expected to be the most important factor that Nedbank takes into account.

### Foreign Exchange Derivatives

In foreign exchange derivative markets, Nedbank does not consider a Client to place legitimate reliance on Nedbank where the Client has asked Nedbank for a quote (RfQ). The price quoted to a Client may be determined outside of the EU (e.g. by its Head Office in South Africa).

For highly illiquid currencies and tenors, a degree of reliance may be placed upon Nedbank. Where no specific Client instructions are given, Nedbank will execute an Order by giving consideration, ranked in order, to:

1. Price
2. Likelihood of execution
3. Speed of Execution
4. Size of the Order

The other execution factors are expected to have a significantly lower weighting.

### Interest Rate Derivatives

In interest rate derivative markets, Nedbank does not consider a Client to place legitimate reliance on Nedbank where the Client has asked Nedbank for a quote (RfQ). The price quoted to a Client may be determined outside of the EU (e.g. by its Head Office in South Africa).

For highly illiquid or bespoke interest rate derivatives, a degree of reliance may be placed upon Nedbank. Where no specific Client instructions are given, Nedbank will execute an Order by giving consideration, ranked in order, to:

1. Price
2. Likelihood of execution
3. Speed of Execution
4. Size of the Order

The other execution factors are expected to have a significantly lower weighting.

## APPENDIX II – EXECUTION VENUES

Below is a non-exhaustive list of Execution Venues used, or on which significant reliance is placed, by Nedbank when executing Orders. Nedbank does not receive any payment for Order flow or inducements

from any Execution Venue and it selects Execution Venues based on costs, liquidity, reputation, technical specifications and support, time of operation and integration with its Head Office in South Africa.

### Fixed Income – Bonds and other Debt Instruments

Bloomberg Trading Facility B.V.  
Bloomberg Trading Facility Ltd  
MarketAxess Europe MTF  
MarketAxess NL B.V.

We may also execute Orders against our own book, brokers and other market participants.

### Foreign Exchange Derivatives

Reuters  
360T

We may also execute Orders against our own book, brokers and market participants.

