



**CARL KLIEM S.A.**  
INTERBANK AND SECURITIES BROKER

**CARL KLIEM S.A.**

# **EXECUTION POLICY**

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## **1. Introduction**

Carl Kliem S.A. has adopted this execution policy (the "Execution Policy") to apply to broker services provided to you.

This Execution Policy sets out the methodology followed by Carl Kliem S.A. when taking all sufficient steps to obtain the best possible result for you in accordance with Article 27 of the EU directive 2014/65/EU of 15 May 2014 on markets in financial instruments ("MiFID"), as implemented into Luxembourg law. Carl Kliem S.A. also uses the Execution Policy to demonstrate the methodology used to implement Articles 64-66 of MiFID Delegated Regulation 2017/565 (which is directly applicable). When providing a brokerage service to you in relation to financial instruments (bonds and over-the-counter derivatives), Carl Kliem S.A. will take all sufficient steps to achieve the best overall trading result for you. This means that we will aim to provide "best execution" subject to and taking into account the nature of your orders, the prices available to us in the market, the nature of the market in question and a reasonable assessment of the sometimes overlapping and conflicting execution factors (which are detailed below).

The aim of the Execution Policy is to comply with the overarching best execution requirement on a consistent and general basis rather than obtain the best possible result for each individual order.

Our intention is, so far as possible, to exercise consistent standards and operate the same processes across all markets, clients and financial instruments in which we operate. We also intend to provide you and other market participants with access (where possible) to tradable prices on a non-discriminatory basis. However, the diversity in those markets and instruments, what we know of your own trading intentions, and the kind of orders that you may place, mean that different factors will have to be taken into account in relation to any particular transaction.

## **2. Exemptions from the provision of Best Execution**

Notwithstanding the above, Carl Kliem S.A. does not provide "best execution" to you in the following circumstances:

## 2.1 Eligible Counterparties

If you are classified as an Eligible Counterparty you will not be entitled to best execution under MIFID, as implemented into Luxembourg law. This is in line with Article 30 of MIFID which provides that the best execution

obligation under Article 27 of MIFID will not apply to clients that are Eligible Counterparties.

## 2.2 Market Practices

In the wholesale bond markets in which Carl Kliem S.A. operates it is normal market practice (and as recognized by the European Commission) for buyers and sellers to "shop around" by approaching several brokers/dealers for a quote. In these circumstances there is no expectation between the parties that the broker/dealer chosen will owe best execution.

As a sophisticated participant in the wholesale markets, unless you advise us to the contrary or we determine that circumstances indicate otherwise, we will assume that this is your normal trading behaviour.

## 2.3 Client Instructions

Where you provide us with a specific instruction in relation to your entire order, or any particular aspect of your order, including an instruction for your trade to be executed on a particular venue, we will execute the order in accordance with your instructions. However, please note that in following your instructions we will be deemed to have taken all sufficient steps to provide the best possible result for you in respect of the order, or aspect of the order, covered by your specific instructions.

When you lift an offer, hit a bid or place an order on a multilateral trading facility (MTF), the best execution provisions of MIFID will not apply to the operator of the MTF. Your order will be classified as a specific instruction and hence the best execution provisions of MIFID will not apply.

**You should be aware that Carl Kliem S.A. may be prevented from taking the steps it has designed and implemented in this policy to obtain the best possible result for the execution of your orders in respect of the elements covered by your instructions.**

### **3. Clients**

We are only able to deal with Eligible Counterparties and Professional Clients as defined in MiFID. Clients are entitled to request a different classification at any time either generally or in respect of a particular transaction.

### **4. Execution Venues**

This Execution Policy sets out the venues on which Carl Kliem S.A. may transact your order for bonds and derivatives. It has identified those venues on which we will most regularly seek to execute your orders and which we believe offer the best prospects for achieving the best possible results for you, taking into account the execution factors detailed below. Carl Kliem S.A. is able to transact trades on your behalf on any of the following execution venues:

- Our customer base in the over-the-counter (OTC) markets;
- Various Exchanges, MTFs and/or OTF's to which we have access.

A list of the main execution venues on which Carl Kliem S.A. places significant reliance is set out at Annex I. This list is not exhaustive; it nevertheless encompasses the most relevant execution venues. Carl Kliem S.A. reserves the right to resort to other execution venues that are not included in the Annex I where appropriate to achieve the best possible result for you in line with this Execution Policy.

Carl Kliem S.A. will regularly assess on a qualitative and quantitative basis whether the selected venues continue to provide the best possible result for its clients. When selecting the venue on which to transact trades Carl Kliem S.A. will take suitable measures to ensure that the selected venue obtains the best possible trading result for its clients on an overall basis and not on a trade-by-trade basis.

You have expressly consented to Carl Kliem S.A. executing orders outside of regulated markets, MTFs, and OTFs in the Client Categorisation Letter. When executing an order outside of regulated markets, MTFs, and OTFs you may be at higher risk from counterparty exposure. We will provide you with additional information about the consequences of executing orders outside of regulated markets, MTFs and OTFs on request.

In general, bonds are traded on the over-the-counter market and not on a regulated market, MTF or OTF. Orders will thus most frequently be executed outside regulated markets, MTFs and OTFs. Carl Kliem S.A. endeavours, where possible, to obtain competing quotes from several brokers/dealers approved by Carl Kliem S.A. It should be noted that with less liquid

instruments, there may be only one liquidity provider and therefore only one available price to deal on. As such, according to the application of the best execution factors, the overriding factor will be the likelihood and speed of execution.

Carl Kliem S.A. will thus execute trades either on a regulated market, MTF or OTF or on an over-the-counter basis with various brokers/dealers.

When selecting the venue on which to transact trades we will take all sufficient measures to ensure that the selected venue obtains the best possible trading result for clients, subject to the following factors:

- a) In the OTC markets in which we operate, we can only give clients visibility to prices that have been communicated to us by other clients that operate in the same market, accordingly any "best outcome" will solely be within these limits. However, we will assess the reasonableness and fairness of the price proposed to the client by analysing market data in relation to the price of the particular instrument and, to the extent possible, by comparing to similar instruments;
- b) Time availability of prices – in many markets there are lulls and spikes in trading as negotiations align trading interests at different times and different parts of the curve, accordingly the "last traded" price may not always be available or act as a reliable indicator of current price;
- c) We cannot allow clients to trade in a market unless we are reasonably satisfied that the client (via an agent or otherwise) is operationally capable of settling the relevant trade;
- d) We cannot control either the cost of credit (credit premium) or credit acceptance between our clients;
- e) Rates of brokerage will vary between clients, based on agreement and levels of activity; and
- f) Where we invite you to select an execution venue, we will provide you with information that is fair, clear and not misleading in order to prevent you from selecting one execution venue over another on the sole basis of our price policy.

Where Carl Kliem S.A. applies different fees depending on the execution venue, we will explain to you these differences in sufficient detail in order to allow you to understand the advantages and disadvantages of the choice of a particular execution venue.

Carl Kliem S.A. will inform you of any inducements it receives from an execution venue and the value of any monetary or non-monetary benefits we receive when we charge more than one client in a transaction.

## **5. Publication of execution venues**

As an investment firm who executes client orders, Carl Kliem S.A. is required to summarize and make public annually the top five execution venues for each class of financial instrument in terms of:

- Trading volumes where Carl Kliem S.A. has executed client's orders.
- Information on the quality of execution obtained.

The information is based on client orders executed on trading venues, Systematic Internalisers, market makers or other liquidity providers.

Carl Kliem S.A. will further disclose for the top five venues:

- a) The name of the venue.
- b) Class of financial instrument.
- c) Number and volume of client orders executed on that venue measured against total executed orders.
- d) Percentage of passive and aggressive orders and if they were directed or not.
- e) Confirmation on whether Carl Kliem S.A. has executed an average of less than one trade per business day in the last 12 months.

Carl Kliem S.A. will summarize the analysis and conclusions taken from the monitoring of the quality of execution obtained on the execution venues. This will include information on:

- a) How the price, costs, speed and likelihood of execution are factored in the overall assessment of execution quality achieved;
- b) Whether close connections to venues, conflicts of interest or shared ownership of venues has influenced execution quality;

- c) Whether (non) monetary benefits have been received;
- d) Whether any changes occurred regarding the execution venues listed in this Policy; and
- e) Whether execution quality differs if confronted with professional clients.

## 6. Execution Factors

In the absence of specific instructions from you, we will exercise discretion in determining the factors that we need to take into account for the purpose of providing you with the best possible result.

These execution factors in the wholesale markets in which we operate will include, but are not restricted to, the following:

- the characteristics of the client;
- the size, nature and characteristic of the order;
- the likelihood and speed of execution; and
- the price and costs of execution.

Carl Kliem S.A, when applying the relative importance of the execution factors will consider the characteristics of the client; the characteristics of the order; the characteristics of the bonds subject to that order and the characteristics of the execution venues to which that order can be directed.

**In relation to bonds, price and costs (i.e. total consideration) are an important consideration. Likelihood of execution is also an important factor for non standard-size orders and orders for less liquid instruments, since best total consideration may only be illusory if the relevant order is unlikely to be completed. Speed, expertise and service quality are further selection criteria.**

**A variety of criteria are taken into account when assessing the relative importance of the execution factors for derivatives. Due to varying nature of each transaction and the differences in preferences, these criteria may vary on a transaction-by-transaction basis. Generally, the factor we place most importance on will be the price. However, in more illiquid markets the relative importance we give the execution factors may vary. For example, in such circumstances the likelihood of the transaction is a more significant factor. Typically, price, size and speed are considered prioritised execution factors under liquid market conditions, whereas the**



**relevant factors under illiquid market conditions will rather be price, size and likelihood of execution.**

**The cost of a transaction includes brokerage, clearing and exchange fees, as well as settlement costs and eventual other third party fees.**

Exchange settled block trades, or positions larger than standard market size, may be crossed at a particular stage in the trading day or kept anonymous to the majority of market participants; unless otherwise directed, we will only show the price and size to parties that we believe may have an interest in executing or crossing such a position.

## **7. Monitoring and review**

Carl Kliem S.A. will monitor the effectiveness of its order execution arrangements and this Execution Policy on both an ex-ante and ex-post basis in order to identify and, where appropriate, incorporate any amendments to procedures. We will assess, on a regular basis, whether the execution venues included in the Execution Policy provide for the best possible result for our clients or whether we need to make changes to our execution arrangements. We will review our order execution arrangements and Execution Policy at least annually or whenever a material change occurs that affects our ability to continue to obtain the best possible result for the execution of client orders on a consistent basis using the venues included in our Execution Policy. We will notify you of any material change to our order execution arrangements or this Execution Policy by publishing the amended Execution Policy on our website.

## **8. No contractual commitment**

Our commitment to provide you with "best execution" does not mean that we owe you any contractual responsibilities over and above the specific regulatory obligations placed upon us or as may be otherwise contracted between us and yourself. You remain responsible for your own investment decisions and we will not be responsible for any market trading loss you suffer as a result of those decisions.

## **9. General terms of order handling**

Carl Kliem S.A. is required under MiFID, as implemented under Luxembourg law, to ensure that your orders are executed in a prompt, fair and expeditious manner in relation to other client orders or its trading interests.

Carl Kliem S.A. will carry out otherwise comparable client orders sequentially and promptly in accordance with the time of their reception unless:

- otherwise instructed by you;
- the characteristics of the client order or prevailing market make this impracticable; or
- your interests require otherwise.

Carl Kliem S.A. may aggregate your order with other client orders (another client's order or own transactions of Carl Kliem S.A.). Such aggregation will only take place in the event Carl Kliem S.A. believes that the aggregation would be unlikely to operate to your and other clients' overall disadvantage. However, the effect of aggregation may work to your or another client's disadvantage in relation to a particular order.

An aggregated order will be allocated between the relevant persons fairly at the average price of the transaction. If your order has been aggregated with transactions of Carl Kliem S.A. and the aggregated order is partially executed, Carl Kliem S.A. will allocate the related trades to you in priority.

Carl Kliem S.A. will take all reasonable steps to ensure that information about your pending orders is not misused by any of its relevant persons.

## **10. Commission and spreads**

When acting on a named give-up basis in relation to over-the-counter ("OTC") derivatives and foreign exchange trades, Carl Kliem S.A. charges the client a commission which represents a percentage of the overall cost of the transaction. All relevant fees and charges, and the methodology for calculating these, are agreed in advance and disclosed to the client by way of a brokerage agreement which Carl Kliem S.A. enters into with the relevant client. By contrast, when acting on a matched principal basis in respect of bonds, Carl Kliem S.A. does not charge an explicit commission but imposes a mark-up or spread, which represents the difference between the cost to Carl Kliem S.A. of acquiring the financial instrument in the market and the price at which it is sold to the client. Carl Kliem S.A. 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, liquidity and size of the trade.

Carl Kliem S.A. will provide clients with an "all in price", which is a price that includes any spread or commission above the price at which we may be able to deal in the market (and therefore our anticipated profit). We may take into account a number of factors when determining an all in price, including the risk that we will assume under the transaction, operational and funding costs, the level of service provided to you, factors specific to you or the order itself and any pre-agreed commission/spread. It is your responsibility in these circumstances to determine whether or not to accept any quoted all in price.

You agree to a limited application of the detailed requirements set out in MiFID in relation to the disclosure of costs and charges.

You agree that the quotation of the “all-in-price” to you prior to the execution of your order will satisfy our obligation to provide ex-ante disclosure of information on aggregate costs and charges related to the financial instrument and the services we provide to you. You accept that such quotation is indicative and is therefore subject to change and may only be an estimate of the relevant costs and charges; such quotation will not be binding on us. We will notify you at the point of trade in the event that the actual costs and charges associated with executing your order differs from our initial quotation.

### **11. Summary information on the conflicts of interest policy of Carl Kliem S.A.**

Carl Kliem S.A. maintains a conflicts of interest policy and has procedures in place to help us identify, prevent and manage any conflicts of interest that may arise during the course of our relationship with you. From time to time, Carl Kliem S.A. may have interests which conflict with your interests or with the duties that Carl Kliem S.A. owes to you. These include conflicts arising between the interests of Carl Kliem S.A., its associates and employees on the one hand and your interests on the other hand and also conflicts between you and other clients.

The procedures established by Carl Kliem S.A. to identify, prevent and manage conflicts of interest including a personal account dealing policy, a policy on the receipt of inducements and third party benefits and a remuneration policy. A key element of the conflicts of interest policy is that persons engaged in different business activities involving a conflict of interest must carry on those activities independently of one another.

Where necessary, Carl Kliem S.A. also maintains arrangements which restrict the flow of information to certain employees in order to protect your interests and to prevent improper access to client information.

Where the organisational or administrative arrangements made by Carl Kliem S.A. to prevent conflicts of interest from adversely affecting your interests are not sufficient to ensure, with reasonable confidence, that risks of damage to your interests will be prevented, Carl Kliem S.A. will clearly disclose to you the general nature and/or sources of conflicts of interest and the steps taken to mitigate those risks before undertaking further business on your behalf. Carl Kliem S.A. only uses disclosure as a matter of last resort.

### Annex I: Execution Venues

A list of the main execution venues which Carl Kliem S.A. places significant reliance on to obtain best possible result for its clients is set out below. This list is not exhaustive. Carl Kliem S.A. reserves the right to resort to other execution venues not included in this list where it deems appropriate in accordance with the Execution Policy.

<b>Execution Venue</b>	<b>Class of Financial Instrument</b>
Bloomberg Multilateral Trading Facility (BMTF)	Bonds, derivatives, forward swaps
Various third-party investment firms and brokers on an over-the-counter (OTC) basis	Bonds, derivatives, forward swaps