

Independent since 1674

METZLER

Principles for the Execution of Orders  
in Financial Instruments

## Contents

- A. Introduction
- B. Criteria for determining best execution and selecting execution venues
- C. Principles for execution of various types of financial instruments
- D. Execution venues planned by the Bank

## A. Introduction

### 1. Scope of application

The following principles for the execution of orders in financial instruments (hereinafter "Execution Principles") set out the measures which the Bank has taken in order to ensure that client orders are consistently executed in the clients' best interests. These Execution Principles apply to the execution of orders which a private or professional client (hereinafter "Client") of B. Metzler seel. Sohn & Co. Aktiengesellschaft (hereinafter the "Bank") issues for the purposes of buying or selling securities or other financial instruments. These Execution Principles do not cover the execution of orders from eligible counterparties.

These Execution Principles only apply to transactions in financial instruments as defined in the Markets in Financial Instruments Directive 2014/65/EU and section 2 (4) of the German Securities Trading Act, in the new version which will apply from 3 January 2018 (Wertpapierhandelsgesetz, neue Fassung; WpHG n.F.). Spot transactions for foreign exchange and goods that can be physically delivered do not fall within the definition of financial instruments and are thus not covered in these Execution Principles.

"Execution" in the sense of these Execution Principles generally means that the Bank, following a Client order, concludes a suitable transaction with another market participant on a suitable market in its own name but for the Client's account (commission transaction). If the Bank and the Client conclude a sale and purchase agreement on financial instruments for a fixed or determinable price (fixed-price transaction), the provisions contained in these Execution Principles governing fixed-price transactions will apply. These principles apply subject to any agreements to the contrary even if the Bank buys or sells financial instruments in fulfilment of its duties under a financial portfolio management contract.

### 2. Principles for executing orders; forwarding Client orders

The Bank will take all reasonable steps in order to ensure the best possible execution results for our Clients at all times. Client orders can frequently be executed via various execution channels or at various execution venues, including on regulated markets, via multi-lateral or organised trading systems, systematic internalisers or on other trading venues in Germany or abroad, in floor or online trading. When selecting the execution channels and potential execution venues for the key types of financial instrument, the Bank will base its decisions on the factors set out in Section B of these Execution Principles. It will favour execution venues that generally lead it to expect best execution in the Client's interests on a consistent basis.

If the Bank does not execute a Client order itself, in particular due to the fact that it does not have direct access to the execution venue, it will forward the order to an intermediary (e.g. another bank or financial services company or a broker). The Bank will provide the Client with further details on the intermediary or intermediaries used for the Client's order on request. The Bank regularly reviews its selection of intermediaries with whom it works and

the quality of their execution in order to ensure that they take appropriate measures to consistently achieve best execution of Client orders.

### 3. Priority of instructions

Client orders will be executed in line with these Execution Principles, insofar as and to the extent that the Client has not issued any other instructions. The Client can issue an instruction to the Bank concerning how its order is to be executed and at which execution venues. Such instructions will take priority over these Execution Principles. The Bank will then execute the order in line with these instructions. In executing a Client order in line with Client instructions, the Bank will have met its obligation to take all sufficient measures to achieve the best possible result for the Client in the context of this instruction.

**Note:** A Client instruction may prevent the Bank from taking the measures which it determined and implemented in the context of these Execution Principles in order to achieve the best possible result in respect of the elements to which the relevant instructions refer when executing orders.

### 4. Exceptional execution

In the context of these Execution Principles, the Bank has defined an execution channel or execution venue for the majority of existing classes of financial instruments. It is nevertheless impossible to ensure full coverage for every financial instrument. The Bank will obtain instructions from the Client in order to be able to execute an order in such case.

Where unusual market conditions or a market disturbance renders it impossible to execute an order in line with these Execution Principles, the Bank will select a different route while protecting the Client's interests.

### 5. Executing fixed-price transactions

These Execution Principles apply only to a limited extent insofar as the Bank and the Client have concluded a sale and purchase agreement for financial instruments at a fixed or determinable price (fixed-price transaction). In such cases, the duties of the Bank and the Client are directly governed by the individual contractual provisions. In the case of a fixed-price transaction for securities, for instance, the duty to deliver the securities and the duty to pay the purchase price apply. When executing fixed-price transactions, the Bank will meet its obligations regarding best execution in particular by setting prices that are reasonable and fair. In this situation, the Bank's share in the return is included in the fixed price. No further costs (e.g. broker fees, or transaction and trading fees) will be incurred for executing the respective Client order. These Execution Principles specify when the Bank will generally offer conclusion of such fixed price transactions. The Bank will secure express consent from the Client before executing a fixed-price transaction outside a trading venue.

### 6. Execution outside of trading venues

The Bank can also execute orders as fixed-price transactions with the Bank or as commissions outside of trading venues as defined in section 2 (22) WpHG n.F., i.e. off exchange, but also outside of multilateral and organised trading systems, insofar as this is permitted by law. The Bank will meet its obligation to ensure best execution outside of trading venues in particular by taking account of market data on which the price calculation for the respective financial instrument is then based. The Bank will monitor the reasonableness and fairness of the prices offered to its Clients by regularly reviewing the methods and key indicators used. When executing Client orders outside trading venues, the Bank will obtain express consent from its Client either for such transactions as a whole or specifically for a particular transaction.

### 7. Bundling Client orders

The Bank is entitled to bundle Client orders with its own orders or orders from other Clients and to execute these orders in aggregate, while observing these Execution Principles, provided the order volume, market liquidity, price sensitivity and the type of financial instrument being traded permit such bundling. This also includes execution outside the cited trading venues and conclusion of a fixed-price transaction with the Bank. Orders will only be bundled if it is unlikely that such aggregation will have a detrimental effect for any Client.

The Bank has defined and implemented a policy for allocating bundled orders providing in sufficiently precise terms 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. Insofar as the order is executed at more than one price, allocation to the individual Client securities accounts in financial portfolio management will be based on a mixed price calculated on the basis of the weighted arithmetic mean. If the Bank bundles a Client order with an order for own account, it will ensure that allocation of the linked accounts is not performed to the detriment of the Client. Further information on aggregation and the allocation of aggregated transactions is available on request.

**Note:** The Bank would like to expressly point out that bundling orders can sometimes turn out to be a disadvantage for an individual Client order because, in some cases, a less favourable transaction price cannot be completely ruled out for an individual Client.

### 8. Review of Execution Principles

The Bank will review these Execution Principles at least once a year. A review will also be performed outside of this annual cycle if the Bank becomes aware of a material change which has an impact on the Bank's ability to continue to achieve the best possible result for its Clients. The Bank will inform its Clients of any material changes without undue delay.

## B. Criteria for determining best execution and selecting execution venues

### 1. Relevant execution criteria; weighting

The Bank has defined the following execution channels and execution venues for the individual financial instrument classes on the basis of the following criteria in particular:

Primary criteria	Weighting
■ Price of the financial instrument	Very important
■ Type and scope of order	Very important
■ All costs relating to order execution	Very important
■ Likelihood of execution	Very important
Secondary criteria	Weighting
■ Speed of execution	Important
■ Likelihood of settlement	Important

When weighting the criteria, it is particularly important to assess whether the individual factor is of any relevance and the weighting which the individual factor has itself and in relation to the others. For retail clients, the best possible result is linked to the aggregate fee. The aggregate fee is calculated on the basis of the price for the financial instrument and all costs associated with execution of the order.

Since financial instruments are generally exposed to price fluctuations and it is thus impossible to rule out price performance over time after the order is issued that is to the detriment of the Client, execution venues on which complete and prompt execution and settlement is likely are selected with priority. In addition to the aggregate fee, the Bank also takes account of the speed of execution, i.e. the time taken between receiving a Client order and the order being able to be executed at the trading venue or via an intermediary. In the context of the above standards, the Bank will, in addition, take account of any additional relevant criteria (e.g. trading times, market condition).

### 2. Factors for selecting execution venues

The Bank selects the potential execution venues on the basis of factors such as market liquidity, pricing, number of market participants, stability and quality of technical connections and settlement, and clearing. When selecting the execution venues, the individual factors are weighted as set out in the following table:

Factors	Weighting
■ Market liquidity	Very important
■ Pricing	Very important
■ Number of market participants	Very important
■ Stability and quality of technical connections/execution	Very important
■ Clearing/likelihood of settlement	Important
■ Recovery plan	Important
■ Trading times	Important

The Bank publishes the five most important execution venues on its website ([www.metzler.com](http://www.metzler.com)) once a year, together with information on the execution quality achieved. The publication is made separately for each client group and for each class of financial instrument. The ranking is based on the trading volume from the previous year.

## C. Principles for execution of various types of financial instruments

### 1. Interest-bearing securities

The Bank offers the opportunity to buy interest-bearing securities (including zero coupon bonds) directly from the Bank or to sell them back to the Bank. The current offering, including in particular the price, is available from the Bank upon request. Purchase and sale are executed at a price agreed with the Bank (fixed-price transaction).

If no fixed-price transaction is agreed between the Bank and the Client, the Bank executes Client orders on a commission basis, as follows:

Type of security	Execution venue
Bonds with home exchange in Germany	Generally executed on the Frankfurt Stock Exchange or, if not, on the most important German market in terms of liquidity
Bonds with home exchange outside Germany	If a bond is traded on an exchange in Germany, the order is executed on the most important German exchange in terms of liquidity. If a bond is not traded on an exchange in Germany, the order is executed on the most important market outside Germany in terms of liquidity. If, in exceptional cases, execution on the most important market outside Germany in terms of liquidity is not possible, the Bank will select an alternative trading venue.

### 2. Shares

The Bank executes orders on a commission basis as follows:

Type of security	Execution venue
Shares issued by German companies	Generally executed on Xetra, the Frankfurt Stock Exchange, Cboe Europe Equities or Turquoise or, if not, on the most important German market in terms of liquidity
Shares issued by foreign companies with home exchange in Germany	Generally executed on Xetra, the Frankfurt Stock Exchange, Cboe Europe Equities or Turquoise or, if not, on the most important German market in terms of liquidity
Shares with home exchange outside Germany	Generally executed on the most important foreign market in terms of liquidity. The Bank will select another stock exchange if this is not the main trading venue or there are settlement reasons, in particular on selling shares issued abroad, or the certainty of fulfilment is in favour of such a decision.

Insofar as sufficient market liquidity is available, the Bank can also execute Client orders via a systematic internaliser or another trading

partner, taking account of the execution criteria above. If, in the individual case, the scope of the order makes a different form of execution appear necessary, the Bank will execute the order in line with the Client's interests.

Client orders are received by the Bank as good for the day (GFD), unless explicitly specified otherwise. GFD orders from Clients that cannot be executed on the same day in the normal course of business will be deleted at the end of the trading day.

### 3. Shares in investment funds

Issuing shares in investment funds at the issue price and returning them at their redemption price is not subject to the statutory rules governing the best execution of client orders. The Bank generally executes orders to buy or sell shares in investment funds on a commission basis directly or indirectly via capital management companies (Kapitalverwaltungsgesellschaft) and foreign investment companies. In the case of orders to buy shares in investment funds directly or indirectly via the capital management companies and foreign investment companies, the price is based on the redemption price plus a premium which must not exceed the front-end load specified by the capital management company or its custodian bank.

Orders in exchange-traded funds will, insofar as these funds are traded on a stock exchange in Germany, be executed on the most important German market in terms of liquidity in line with these Execution Principles, which is generally Xetra, and otherwise on the most important foreign market in terms of liquidity.

### 4. Securitised derivatives (certificates; warrants)

The Bank offers certificates and warrants issued by itself or selected third parties for subscription or purchase (and repurchase, as appropriate) at a fixed price agreed with the Bank (fixed-price transaction) or on a commission basis outside organised markets or organised or multilateral trading systems. The current offering, including in particular the price, is available from the Bank upon request.

Where no fixed-price transaction or a transaction on commission basis outside organised markets, or organised or multilateral trading systems takes place, the Bank will execute the Client order on a commission basis as follows:

Certificates/warrants/similar securities	Execution venue
Tradeable on a German or foreign exchange	Generally executed on the Frankfurt Stock Exchange or, if not, on the most important German market in terms of liquidity. Exception (in case of insufficient liquidity): execution with the respective issuer, a systematic internaliser or another trading partner
Not tradeable on a stock exchange	Execution with the respective issuer, a systematic internaliser or another trading partner

### 5. Non-securitised financial derivatives

Non-securitised financial derivatives cover futures and options contracts as well as swaps and all other derivatives contracts relating to interest rates and interest-related factors, currencies, securities, financial indices and indicators or derivatives contracts for transferring credit risks that are traded under standardised conditions on a commission basis on a stock exchange (futures and options/F&O transactions) or which are agreed on an individual over-the-counter basis (OTC transactions) between the Bank and the Client. When executing non-securitised and non-standardised derivatives, particular terms or special contracts are used, depending on the particular financial instrument (special terms for futures transactions, framework agreement for futures contracts).

Financial derivatives	Execution venue
Futures contracts and warrants that are admitted to trading at trading venues	Executed on a commission basis at the trading venue where the contract is listed and traded (preferably Eurex, otherwise the home exchange)
Options, swaps, futures contracts and other derivatives that are not admitted to trading at a trading venue (OTC)	Transaction concluded between Bank and Client (fixed-price transaction)

### 6. Subscription rights

Issuers are able to initiate trading in subscription rights for a defined trading period. The depositaries in and outside Germany may shorten the trading period defined by the issuer. Clients can exercise their subscription rights (instruction to subscribe) or buy or sell subscription rights only during the trading periods specified by the depositaries; subscription rights cannot, however, be bought or sold on the last day of the trading period.

Insofar as the Bank has not received any Client instructions by the deadline specified in its client information, it will, on the last trading day, sell all domestic subscription rights in the securities account without limit on a domestic stock exchange at the standard price (insofar as such price is determined). If no standard price is determined, the Bank will attempt to sell the subscription rights on other terms. The Bank can have foreign subscription rights realised on the best possible terms in line with common practice in the home country. If the issuer does not initiate trading in subscription rights, the Bank will not sell the subscription rights still in the securities account on the last trading day if the Client has not issued a sale order by the relevant deadline.

Subscription rights	Execution venue
Subscription rights from German issuers	Executed on the electronic trading platform Xetra. If not listed on Xetra, the order is executed on the most important German market in terms of liquidity.
Subscription rights from foreign issuers	Generally executed on the most important foreign market in terms of liquidity. The Bank will select another stock exchange if this is not the main trading venue there are settlement reasons or certainty of fulfilment is in favour of such a decision.

## D. Execution venues planned by the Bank

### 1. Stock exchanges

Australian Stock Exchange  
 Börse Berlin  
 Börse Düsseldorf  
 Börse Frankfurt  
 Xetra (fully electronic trading platform of Deutsche Börse Group)  
 Börse Hamburg  
 Börse Hannover  
 Börse München  
 Börse Stuttgart  
 Cboe UK  
 Cboe NL  
 Euronext Amsterdam  
 Euronext Brussels  
 Euronext Paris  
 Euronext Lisbon  
 Hong Kong Stock Exchange  
 Irish Stock Exchange  
 Johannesburg Stock Exchange  
 Korea Stock Exchange  
 London Stock Exchange  
 Luxembourg Stock Exchange  
 Madrid Stock Exchange  
 Milan Stock Exchange/Borsa Italiana  
 Nasdaq  
 Nasdaq OMX Copenhagen Stock Exchange  
 Nasdaq OMX Helsinki Stock Exchange  
 Nasdaq OMX Stockholm Stock Exchange  
 New York Stock Exchange  
 Oslo Stock Exchange  
 Singapore Stock Exchange  
 Swiss Exchange  
 Swiss Exchange Virt-X  
 Tokyo Stock Exchange  
 Toronto Stock Exchange  
 Turquoise UK  
 Turquoise NL  
 Vienna Stock Exchange

Orders in foreign markets will, in some cases, be passed to third-party brokers and can thus be executed on different stock exchanges within that country.

### 2. Futures exchanges

Borsa Italiana  
 Chicago Board of Trade  
 Chicago Board Options Exchange  
 Chicago Mercantile Exchange  
 Eurex (Germany/Switzerland)  
 Euronext liffe Amsterdam  
 Euronext liffe Brussels  
 Euronext liffe London (LIFFE)  
 Euronext liffe/MATIF Paris

Hong Kong Futures Exchange  
 ICE Intercontinental Exchange  
 KFE Korea Exchange  
 MEFF Spain  
 Montreal Exchange  
 New York Board of Trade  
 OMX Sweden, Norway, Denmark  
 Osaka Securities Exchange  
 Singapore Exchange  
 South African Futures Exchange  
 Sydney Futures Exchange

Orders in foreign markets will, in some cases, be passed to third-party brokers and can thus be executed on different stock exchanges within that country.

The Bank will, upon request, demonstrate to the Client that his/her order has been executed in line with the Execution Principles and will inform him/her, if applicable, on the establishments to which his/her order has been forwarded for execution or with which it has been placed.



## **B. Metzler seel. Sohn & Co.**

B. Metzler seel. Sohn & Co.  
Aktiengesellschaft  
Untermainanlage 1  
60329 Frankfurt/Main, Germany  
P.O. Box 20 01 38  
60605 Frankfurt/Main, Germany

[www.metzler.com](http://www.metzler.com)