

Order execution on best terms

Summary of analysis of execution quality achieved in 2021

In accordance with Directive 2014/65/EU and the regulations implementing and transposing it (MIFID II), Mediobanca has published the following information on its website:

- i) On 21 December 2021 its updated Order Transmission and Execution Strategy, which defines the measures adopted to obtain the best possible result for its clients orders; and
- ii) On 29 April 2022 the reports on: its top five execution venues by trading volumes at which it executed its clients' orders last year; its five top investment firms by trading to which it transmitted client orders last year, and the top five counterparties via which it executed client orders last year through the request for quote (RFQ) system made available by the trading venues.

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This document contains an assessment made by Mediobanca of the quality of the execution achieved at the venues where its clients' orders were executed in 2021, and is to be read in conjunction with the reports referred to above.

1. Execution factors relative to client classification

Mediobanca has followed the importance assigned to the execution factors defined in the Strategy adopted in 2021, namely:

- price of financial instrument
- costs of execution
- speed of execution
- probability of execution and settlement
- size of order
- nature of order
- other characteristics of the order relevant to its execution

Mediobanca has considered the "total amount" (which consists of the "price" of the instrument and the "cost of execution") to be the principal factor in determining the best result possible in the execution of orders submitted by clients classified as "retail".

The Bank has also considered "speed of execution" and "probability of execution and settlement" as factors which could take priority over the "total consideration" to establish the best result possible in the execution of orders classified as "professional".

For retail clients a dynamic execution strategy has been adopted which entails systematic and exclusive access to execution venues that guarantee pre-trade transparency, except for those retail clients that have expressly requested a static execution strategy to be applied.

For professional clients, a dynamic execution strategy has been adopted which entails access also to execution venues which operate in exemption to pre-trade transparency obligations (i.e. "reference price waiver"), except for those clients that have expressly requested a dynamic execution strategy to be applied that entails systematic and exclusive access to execution venues that guarantee pre-trade transparency.

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For each of the classes of financial instruments traded in 2021, the orders were executed and/or transmitted in accordance with the criteria set in the Strategy implemented by the Bank in the course of the year.

2. Conflicts of interest

Mediobanca does not have any close links or cross-ownership arrangements with the execution venues which it used in 2021 to execute its clients orders, nor has it entered into any specific agreements with such venues regarding payments made or received, or regarding discounts, reductions or non-monetary benefits obtained outside of the standard terms and conditions. Mediobanca pays the brokers selected by it the commissions finalized with them and does not accept incentives from such brokers.

The roles played by Mediobanca on the various markets where its clients' orders were executed in 2021 are also shown below:

- EUROTXX: liquidity provider in credit certificates;
- MOT, Borsa Italiana: specialist in debt instruments and liquidity provider in certificates and equity linked notes;
- IDEM, Borsa Italiana: market maker in equity derivative instruments;
- MTA, Borsa Italiana: liquidity provider and specialist in shares;
- AIM, Borsa Italiana: specialist in shares;
- EUREX: market maker in equity derivative instruments.

3. Order transmission and execution strategy

Mediobanca made changes to its Order Execution and Transmission Strategy during 2021 to:

- in April to:
 - o update the list of execution venues to which Mediobanca has direct or indirect access (including the relevant MIC codes);
 - o update the list of brokers, provide further information on the criteria identified for their use and the venues to which they give access;
 - o specify that the transmission to brokers of orders from Mediobanca clients on US and Canadian markets is performed by Mediobanca Securities USA (a subsidiary of Mediobanca SpA) outside the working hours of Mediobanca or its UK branch;
 - o clarify that care orders may be executed directly on venue (through Iceberg orders or allocation of part of the order in the opening or closing auction) in the event Mediobanca deems to obtain best execution for clients.
- in December to:
 - o clarify that in case of specific regulations in certain countries, it may not be possible to comply with the specific client instructions regarding order execution conditions;
 - o specify the execution rules applied to orders on certificates and on currencies (FX forwards).

4. Summary of leading trading venues, by class of financial instrument (2021)

The leading trading venue at which the Bank executed its clients' orders via direct access (by class of instrument) in 2021 is shown below.

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- i) Equity financial instruments – shares and certificates
 - MTA Borsa Italiana S.p.A. (both for clients classified as retail and professional)
- ii) Debt instruments – bonds
 - MOT (for clients classified as retail)
 - Bloomberg MTF (for clients classified as professional)
- iii) Debt instruments – money market instruments
 - Bloomberg MTF (for clients classified as retail)
- iv) Structured financial instruments
 - Sedex (for clients classified as retail)
 - EuroTLX (for clients classified as professional)
- v) Securitized derivative financial instruments – warrants and derivatives in the form of certificates
 - MTA Borsa Italiana S.p.A. (both for clients classified as retail and professional)
- vi) Securitized derivative financial instruments – other securitized derivatives
 - MTA Borsa Italiana S.p.A. (both for clients classified as retail and professional)
- vii) Listed indexed products (ETF funds, ETN notes, ETC commodities)
 - ETF Plus, Borsa Italiana S.p.A. (both for clients classified as retail and professional)
- viii) other instruments
 - Xetra (for clients classified as retail)
 - XAIM (for clients classified as professional)

5. Explanation of the means by which the Bank has used data published by the execution according to Commission Delegated Regulation (EU) 2017/575 in order to revise the Strategy

ESMA in the first quarter of 2021 has communicated that it does not expect the Competent National Authorities to consider as a priority the verification of the publication by the execution venues of the information pursuant to RTS27. Following this communication¹, the trading venues analysed in recent years by Mediobanca to verify the goodness of execution of orders on debt instruments (asset class for which Mediobanca applies its own dynamic best execution model) have suspended the publication of RTS27. This suspension did not make it possible to verify the quality of execution offered by the venues to which the Bank has direct access with respect to that offered by alternative venues.

Evidence relating to orders on debt instruments executed on a residual basis on venues to which the Bank does not have direct access confirm that the venues to which the Bank has direct access meet the needs of customers in terms of the scope of negotiable instruments.

¹ The ESMA communication is subsequent to the approval by the European Parliament of a package of changes to MiFID regulations that include the suspension of the publication of RTS27 until February 2023.

6. Order execution using a trading venue's request for quote (RFQ) system

In 2021 Mediobanca also executed client orders using the Bloomberg MTF request for quote (RFQ) system with the five leading counterparties stated in the relevant report, broken down by classes of financial instruments and client classification.

Mediobanca does not have close links or conflicts of interest with any of the parties included in this report and listed below. In the normal course of the exercise of its business, Mediobanca may have provided, or may provide, principal and/or accessory investment services to these counterparties and/or hold positions in instruments issued by them.

- BARCLAYS BANK IRELAND PUBLIC LIMITED COMPANY- 2G5BKIC2CB69PRJH1W31
- BNP PARIBAS S.A. - R0MUWSFPU8MPRO8K5P83
- Citigroup Global Markets Europe AG - 6TJCK1B7E7UTXP528Y04
- DEUTSCHE BANK - 7LTFWZYICNSX8D621K86
- Flow Traders B.V. - 549300CLJI9XDH12XV51
- JANE STREET FINANCIAL LIMITED - 549300ZHEHX8M31RP142
- J.P. MORGAN CHASE INTERNATIONAL FINANCING LIMITED - 549300RR2VEV5GQA1X51
- J.P. Morgan AG - 549300ZK53CNGEEI6A29
- Mizuho Securities Europe - 213800G8QEXN34A2YG53
- NATIXIS - KX1WK48MPD4Y2NCUIZ63
- NatWest Markets N.V. - X3CZP3CK64YBHON1LE12
- Optiver V.O.F. - 7245009KRYSA2YB2QCC29
- SOCIETE GENERALE - O2RNE8IBXP4R0TD8PU41
- VIRTU FINANCIAL, INC. - 5493001OPW2K42CH3884
- Zürcher Kantonalbank - 165GRDQ39W63PHVONY02