



MEDIOBANCA

# ORDER EXECUTION AND TRANSMISSION STRATEGY

April 2024



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## 1. Introduction

### 1.1. Purpose of document

The purpose of this document is to illustrate the order execution and transmission strategy (the "Strategy") adopted by Mediobanca (the "Bank"), i.e., the rules which the Bank has adopted to manage clients' orders and obtain the best possible result in their execution.

The Bank provides potential new clients with the Strategy at the client acquisition stage, along with the pre-contractual and contractual information. Clients accept the Strategy concurrently with agreeing to the contractual terms for the provision of order reception and transmission services, order execution on behalf of clients, and trading on own account.

The Bank publishes the Strategy on its official website at [www.mediobanca.com](http://www.mediobanca.com), under the MiFID/Best Execution section, and informs clients of relevant changes made to the Strategy by publishing the new version on the same website. The Bank informs clients (by e-mail or other means) that a new version of the Strategy has been published on the website.

### 1.2. Regulatory framework

Directive (EU) 2014/65 and the regulations enacting it ("MiFID II") oblige investment firms to adopt sufficient measures to obtain the best possible result when executing clients' orders, regardless of whether or not the instruments to which the orders refer are admitted to trading and/or traded at a trading venue or otherwise.

Investment firms are bound to adopt the above measures in order to obtain the best possible execution of the clients' orders, taking due account of the following factors:

- ◆ Price of the financial instrument;
- ◆ Costs of execution;
- ◆ Speed of execution;
- ◆ Probability of execution and settlement;
- ◆ Size of order;
- ◆ Nature of order;
- ◆ Other characteristics of the order of relevance to its execution.

If the investment firms execute orders on behalf of retail clients, the best result is established in terms of "**total consideration**", i.e., in terms of the "price" of the financial instrument and the "costs" related to the execution, including all expenses incurred by the clients which are directly attributable to execution of the order.



Investment firms are required to classify the above factors in order of importance, having regard to the following aspects:

- ◆ Characteristics of the client, including whether or not it is classified as “retail” or “professional”;
- ◆ Characteristics of the client's order, including when the order includes securities financing transactions (SFT);
- ◆ Characteristics of the financial instruments covered by the order;
- ◆ Characteristics of the execution venues to which the order may be directed.

Investment firms are required to meet the obligations in terms of adopting sufficient measures to obtain the best result possible for the client if they execute an order or a specific aspect of an order, complying with the **specific instructions issued by the client** regarding the order or the specific aspect of the order in question.

When investment firms execute orders or decide to trade **OTC products** which include bespoke products, they verify the fairness of the price offered to the client by collecting the market data used in the estimate of the price of the product, and where possible compare it with similar or comparable products.

Investment firms **review** their order execution and transmission strategy, and also the devices they use to execute the orders, at least once a year, and assess on an ongoing basis whether material changes have occurred that could impact on the execution parameters to obtain the best terms, and consider the possibility of making changes to the execution venues or to the entities used by them to meet the requirement for execution on the best terms possible.

“Material change” for the purpose hereof is defined as a significant event which is potentially able to affect the best execution parameters, such as price, costs, speed, probability of execution and settlement, size, nature, or other characteristics of the order of relevant to its execution, that impacts on the Bank's capability to continue to systematically obtain the best possible result for the client's order execution.

### 1.3. Main Changes

The Bank's Order Execution and Transmission Strategy has been updated in order to:

- ◆ allow access to the Zenith segment of the Equiduct trading venue (in addition to the already introduced Apex segment). This update specifies the order execution conditions on this segment for clients requesting such access from the Bank;
- ◆ update the list of execution venues. Specifically, with regard to the "shares, similar instruments" asset class only, the Bank now refers to its broker website for the list of execution venues other than the main ones (i.e., different from the regulated markets and MTFs where the instruments were initially admitted to trading), which remain included in the Strategy.



## 2. Scope of application

The Bank –whilst providing services for receiving and transmitting orders, executing orders on behalf of clients, and trading for its own account— applies the measures and rules stated in this document to obtain the best possible result for clients classified for MiFID purposes as retail and professional (the best execution obligations do not apply to clients classified as eligible counterparties), and to manage orders from clients (classified as retail clients, professional clients and eligible counterparties).

### 2.1. OTC (over-the-counter) trading and counterparty risk

The Bank – without prejudice to the obligations provided for under Regulation (EU) 2014/600 and the regulations enacting it (MiFIR) on trading obligations for shares and derivatives – may execute client orders OTC, i.e., outside a trading venue (regulated markets, MTFs and OTFs), only if the client concerned has provided their explicit consent to such end.

Clients may provide such consent in the form of general agreement, or trade by trade.

The Bank executes client orders over-the-counter (OTC) in the following circumstances:

- ◆ For instruments not listed on any trading venue<sup>1</sup>, or
- ◆ For instruments listed on trading venues, only if the OTC execution guarantees improved or comparable conditions to those of the market, or
- ◆ If, at the time of order execution, the quantity is unavailable on the trading venue's order book and the client indicates that the most relevant factor for execution is the probability of execution, or
- ◆ In response to specific client instructions.

With regard to OTC operations, the Bank considers the prevailing factors for best execution to be the price of financial instruments and trading costs.

Prices of financial instruments are determined:

- ◆ financial instrument not traded at any trading venue - on the basis of the instrument's value, which is defined on the basis of the Bank's own internal models, using market data. In determining the price for the client, the Bank considers also the market value of similar or comparable instruments, where these exist;
- ◆ financial instruments traded at a trading venue – on the basis of the instruments' market value.

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<sup>1</sup> Including trading venues to which the Bank does not have any direct access or access through brokers.



The Bank carries out regular checks to ascertain that the costs charged to clients are compliant with the maximum limits defined internally.

OTC trading entails counterparty risk for the client. In particular, in cases which involve proprietary OTC trading, if the Bank were to become insolvent, it might not be able to meet its obligations in respect of trades concluded or make the relevant payments, at which point the client could lose all or part of the payments made or suffer unlimited losses. Furthermore, when the Bank is unable to pay its own debts, the client is subject to the risk of resolution measures being taken against the Bank by the authority under the terms of Directive 2014/59/EU ("bail-in"), including the early termination of contracts that have been concluded, or a reduction in their amounts or conversion to risk capital.

## 2.2. Trading in requests for quotes (RFQ)

In trading that follows a "request for quote" ("RFQ"), at the client's initiative, the Bank assesses whether the client is due best execution protections based on the following "fourfold test":<sup>2</sup>

- ◆ If it is the client which has launched the trade/RFQ; this can be checked by the communications with the client;
- ◆ If there is a particular market practice for the instrument in question and a convention for the client to "shop around": these factors may be observed from the historical records of trades for the instrument and/or interactions between the Bank and the client;
- ◆ If price transparency is assured in the relevant market; this can be observed from the current and historical levels of the bid/ask spread and the volumes traded on the specific market; and
- ◆ If the agreements with the client or the information provided to the client do not make clear that the client should have the benefit of such protections in RFQ trading;

If the above conditions are met, the Bank may consider that the client in the RFQ trading does not expect execution protection under the best conditions.

If the above conditions are not met, the Bank ensures investor protection by providing prices to clients with the best execution conditions. This involves comparing the conditions/execution-quality offered by multiple counterparties/market makers.

## 2.3. Specific client instructions

Best execution obligations do not apply when the Bank receives specific instructions from the client, because they are considered to have been already met.

If the specific instructions regard only part of the order, Mediobanca is bound to continue applying the principles illustrated in this document with regard to every other aspect of this order not covered by the client's instruction. When the instruction given by the client refers to

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<sup>2</sup> Cf. European Commission working document ESC-07-2007.



a specific order execution strategy (VWAP, TWAP, VP, etc.), Mediobanca applies this instruction to the execution of the order as a whole.

With regards to orders transmitted electronically by CIB Division clients and related to shares and similar instruments, Mediobanca considers an instruction as being specific when the trading venue indicated by the client is different from the "market of reference". Such market is determined daily by bank<sup>3</sup> on the basis of information provided by a specialised info-provider and which is published on its public website ([www.mediobanca.com](http://www.mediobanca.com)), under the MiFID/ Best Execution section.

In the context of orders exclusively on shares and similar instruments transmitted electronically by clients of the CIB Division who have opted for the 'Reference market only' execution strategy (cfr. paragraph 7), the Bank considers any trading venue specified by the client within the electronic flow as a specific instruction. Where there is a conflict between the client specific instructions and the local regulation applicable to the order, the local regulation will prevail over the client specific instruction.

## **3. Rules for managing client orders and allocation procedure for Equity Capital Markets and Debt Capital Markets transactions**

### **3.1. Rules for managing client orders**

Mediobanca receives orders exclusively through authorized communications systems and channels which are subject to recording, as required by the regulations in force.

The Bank ensures a rapid, fair, and efficient execution of retail and professional clients' orders relative to other client orders and to the Bank's own trading interests.

The Bank executes and/or transmits orders from clients classified as retail and professional which are comparable, sequentially and promptly, unless the order's characteristics or the prevailing market conditions make it impossible, or the clients' interests require it to proceed differently.

The Bank informs retail-classified clients of any relevant difficulties that could impact the proper execution of orders as soon as it becomes aware of them.

The Bank, in order to ensure that orders with price limits – for shares admitted to trading in a regulated market or traded at a trading venue – not executed immediately at the prevailing market conditions, are executed as quickly as possible, unless the client provides instructions to the contrary, publishes the orders immediately by means that are easily accessible to the

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<sup>3</sup> Conversely, Mediobanca doesn't consider an instruction as being specific when the trading venue indicated by the client is the one regarded by the bank as the market of reference.



other market participants. For this purpose, the Bank may transmit client orders with price limits to a trading venue. The obligation to publish orders with price does not apply in cases where the volume is high compared to the normal size for the market.

The Bank combines retail and professional clients' orders in accordance with the rules set out in Annex A.

### **3.2. Allocation procedure for Equity Capital Markets/Debt Capital Markets transactions**

During the allocation procedure, the offering of securities – including, without limitation, Initial Public Offerings (IPO), Accelerated Bookbuilding (ABB), Reverse Accelerated Bookbuilding (RAB) and any other private placement or public offering – may give rise to situations of conflict of interests. With this in mind, Mediobanca adopts an allocation strategy which is intended to prevent such situations from arising as provided by the Directive process for order collection, allocation and post-allocation for ECM-DCM transactions.

Allocation decisions depend on various factors. It should be emphasized that expressions of interest/orders which the Bank receives from investors must be consistent with the real demand for securities that the investors concerned will actually request. Mediobanca undertakes to ensure that the allocation will be compliant with the related allocation strategy.

Investors accept the above principles and in accordance with the respective regulations and internal procedures, act in good faith to enable lawful and regular allocation.

## **4. Monitoring and revising the order execution and transmission strategy**

Mediobanca monitors the effectiveness of its order execution and transmission strategy, and the quality of the execution obtained from the execution venues and brokers identified on an ongoing basis, seeking to rectify any shortcomings noted. When requested by the client, the Bank is able to demonstrate that it has executed an order in conformity with the provisions set forth in the Strategy.

The checks are intended to ascertain that:

- ◆ The correct strategy chosen by the client (cfr. paragraph 7) has been applied to the client's order;
- ◆ The orders have been executed/transmitted at approved execution venues or with approved brokers;
- ◆ The brokers have executed the orders in accordance with the relevant strategy;





- ◆ The approved execution venues and brokers continue to guarantee the terms provided and assessed at the acquisition;
- ◆ For OTC products, that clients have been offered a fair price, checking that the costs charged to clients fall within the limits defined internally to the Bank.

Without prejudice to the foregoing, the Bank reviews the Strategy, along with the order execution devices, once a year, including on the basis of the checks described above.

The Bank also revises the Strategy under extraordinary circumstances, to incorporate changes in the performance of its activities in connection with execution services, and every time a significant change occurs which implies that it is impossible to continue to deliver the best possible result in client order execution over the long term.

If significant changes are made to the Strategy as a result of the review activities, the Bank notifies its clients of such changes by publishing the new version of the Strategy on its website at [www.mediobanca.com](http://www.mediobanca.com), under the MiFID/Best Execution section. The Bank also informs its clients that the Strategy has been revised (by e-mail or other means).

## 5. Best execution factors and their relative importance

The Bank adopts sufficient measures to obtain the best execution, taking into account the following execution factors:

- ◆ **Price of the financial instrument;**
- ◆ **Costs** associated with execution: more specifically, the Bank considers the “total consideration”, which consists of the sum of the price of the financial instrument itself and all costs incurred by the client and directly attributable to execution of the order, including the trading commissions charged by the Bank.
- ◆ **Probability of execution:** this factor varies depending on the structure and depth of the market on which the instrument is traded and depends on the quantity of securities involved in the order. For OTC trades, the probability of execution is one of the criteria which distinguishes the service offered by the Bank to its clients, as it depends on its willingness to execute trading on own account, and/or on the strategies adopted to execute the orders via other intermediaries.
- ◆ **Speed of execution:** this factor may vary based on the methods used to make the trade, the structure and characteristics of the market, the connection devices used, and based on other variables as well, such as the liquidity of the instrument being traded.
- ◆ **Nature of order:** certain other characteristics of an order are relevant to achieve the best execution, such as for example: i) the size of the order, which can impact on both the methods used to obtain the best execution and on other factors as well, such as price, speed and probability of execution; ii) the type of instrument: i.e. if the instruments are illiquid or highly personalized.



In defining the hierarchy of execution factors, the Bank has taken the following issues into account: client categorization (retail/professional classified clients); order type/venue (orders immediately/not immediately tradable at the venues depending on market conditions); type of financial instruments to which the client orders refer (bonds/shares and similar instruments).

Mediobanca generally considers as prevailing factors:

- ◆ For retail clients: the total consideration, in terms of price instrument and execution-related costs. For large orders and/or orders which involve illiquid instruments, the execution of which may be impacted negatively by market prices, Mediobanca may consider other factors to have priority, such as speed and probability of execution;
- ◆ For professional clients: the "price" factor, in each case assigning a significant weighting to other factors, such as "speed of execution" or "probability of execution".

## 6. Execution venues and brokers

### 6.1. Direct execution or through broker

Mediobanca can execute client orders on execution venues either directly<sup>4</sup> or through brokers. The Bank forwards orders to brokers for their execution in the following cases:

- ◆ For bonds: on a residual basis when the Bank does not have direct access to trading venues<sup>5</sup>.
- ◆ For shares and similar instruments: always, except in cases where:
  - ◆ the order is placed by the client with a specific instruction requiring its execution on a particular venue where the Bank has direct access.
  - ◆ the client has chosen the Reference Market Only Strategy (cfr. paragraph 7) and Mediobanca has direct access to the market.
- ◆ For exchange-traded derivatives (ETDs): always, except when Mediobanca has direct access to the venue, acts as a liquidity provider for the financial instruments subject to the orders, and can guarantee the same execution quality offered by brokers. In such instances, the Bank reserves the right to execute the order directly.

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<sup>4</sup> With regard to Mediobanca client orders on US and Canadian markets, the transmission of these orders to brokers is directly handled as follows: i) by Mediobanca during its own business hours or those of its English branch, and ii) outside of these hours, through the subsidiary Mediobanca Securities USA.

The traders at Mediobanca Securities USA execute/manage Mediobanca client orders under the latter's responsibility.

<sup>5</sup> In exceptional cases, the Bank may receive orders for bonds traded exclusively on a venue where it does not have direct access. In these instances, the Bank identifies the broker to whom to transmit the order on a case-by-case basis.



## 6.2. Selection of trading venues and brokers

The Bank selects trading venues and conducts annual evaluation considering primarily the following elements: type of tradable instruments on the venue, relative liquidity, bid/ask spread level, market depth and resilience, fee structure, and other relevant information (such as evidence of significant malfunctions occurring during the year).

The Bank selects brokers and conducts their annual evaluation considering primarily the following elements: relative reputation, creditworthiness, commission structure, accessed execution venues (relative liquidity, bid/ask spread level, market depth and resilience, commission structure), execution strategies consistent with the Bank's Strategy, and settlement system.

The potential introduction of new trading venues and brokers, and/or modification of already selected venues/brokers, is proposed by the Business based on the aforementioned criteria and approved by the Compliance function.

The list of execution venues and brokers selected by the Bank for executing orders on behalf of clients is provided in Annexes B and C, respectively.

Annex B outlines and categorizes all execution venues by asset class, whether accessed directly or indirectly by the Bank for executing client orders. It specifies in the "best execution venues" column whether the Bank guarantees the application of measures to achieve the best possible result on these venues. Regarding the asset class "shares, similar instruments," Annex B lists the venues directly accessed by the Bank and only the main venues indirectly accessed (main venues refer to regulated markets and MTFs where the instruments were initially admitted to trading). For the complete list of venues indirectly accessed by the Bank to ensure best execution, please refer to the website of the Bank's main broker, Instinet (<https://www.institet.com/legal-regulatory>)<sup>6</sup>.

Annex B does not include the list of venues used by the Bank for executing proprietary orders.

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<sup>6</sup> The Bank checks that the range of venues accessed by Instinet is the same as those accessed by other Brokers used by the Bank, and that any potential misalignment does not affect execution at the best conditions



## 7. Order execution model for shares and similar instruments, and derivatives

In general terms, Mediobanca allows the adoption of a dynamic execution strategy for executing client orders on shares and similar instruments (ETPs).

The operational model for dynamic best execution in executing orders for shares and ETPs involves brokers selected by Mediobanca on a case-by-case basis. These brokers' strategies have been evaluated by the Bank to align with its own hierarchy of factors. The Bank can directly execute order without using the dynamic best execution model of brokers in the following cases:

- ◆ Orders of sizes that, at the time of execution, are not available on the trading order book of the markets and for which execution for the entire quantity has been requested; the Bank can execute such orders directly OTC (cfr. paragraph 2.1), or through an MTF at prices in line with those of the market.
- ◆ Orders placed in high-touch mode: The Bank may directly execute such orders on trading venues (via Iceberg orders or allocating part of the order in the opening or closing auction) when it believes it can achieve the best execution for the client.

With regard to derivative instruments, the Bank typically executes orders according to specific instructions provided by clients through brokers, unless the Bank has direct access to the trading venue, in which case the Bank may execute the order directly.

However, the Bank adopts/may adopt various strategies for executing client orders, namely:

- ◆ For **Private Banking Division** clients (both retail and professional), Mediobanca always adopts the dynamic execution strategy [**Lit venue only** (No Dark Ping) – Dynamic Best Execution operating model].

For Private Banking Division clients (retail and professional), the total consideration constitutes the main factor in execution, regardless of the type of instrument being traded..

- ◆ For **Corporate & Investment Banking Division** clients, (including interconnected clients), Mediobanca allows a choice to be made, both at the start of the relationship and on an ongoing basis, between various different execution strategies:
- ◆ **Reference market only** – Static Best Execution model for shares and ETFs/ETCs (identifying the most liquid market daily based on historical data on volumes traded)<sup>7</sup>;
- ◆ **Lit venue only** (No Dark Pool) – Dynamic Best Execution operating model;
- ◆ **Lit venue only** (No Dark Pool) & **Systematic Internalizer** – Dynamic Best Execution operating model;

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<sup>7</sup> Mediobanca identifies daily the 'reference markets' for all traded financial instruments based on information provided by a specialized information provider. Mediobanca publishes and updates the list of 'reference markets' daily on its public website [www.mediobanca.com](http://www.mediobanca.com), under the MiFID section.



- ◆ **Dark & Lit venues** (Smart IOI) – Dynamic Best Execution operating model;
- ◆ **Dark, Lit venues** (Smart IOI) & **Systematic Internalizer** - Dynamic Best Execution operating model.

In the absence of instructions from Corporate & Investment Banking division customers, the Bank always applies the "**Dark & Lit venues**" strategy, which gives priority to the "price" factor while in each case assigning significant weight to the other factors as well, such as "speed of execution" or "probability of execution".

## 7.1. Equiduct

Regardless of the chosen strategy, clients of the Corporate & Investment Banking Division may request to include the Equiduct market (Apex and/or Zenith)<sup>8</sup> in the strategy for order execution on equity instruments<sup>9</sup>.

This market aggregates the quotes provided by the official stock exchanges (Borsa Italiana, Xetra, Euronext - Paris, Lisbon, Amsterdam, and Brussels) and the various alternative markets (Multilateral Trading Facility - CBOE Europe, Turquoise, Equiduct), creating a so-called "consolidated book" that represents the available liquidity on the stock. The consolidated book provides a comprehensive view of the visible liquidity on the trading venues for a particular security. Equiduct ensures that clients can trade on the values shown in the consolidated book for the maximum countervalue indicated.

Orders from client who have given consent to use Equiduct Apex can only be executed on Equiduct(Apex) if the following conditions are met:

- the financial instrument must be quoted on Equiduct and have as its principal venue one of the relevant venues below;
  - ◆ Italian stock exchange
  - ◆ Xetra
  - ◆ Euronext (Paris, Lisbon, Amsterdam and Brussels)

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<sup>8</sup> Access to Equiduct Zenith, under the conditions outlined in the Strategy, will be available by the second quarter of 2024, exclusively for clients who choose this specific type of strategy.

<sup>9</sup> Equiduct (<http://www.equiduct.com/home/home.asp>) is a segment of the Berlin Stock Exchange's Regulated Market (Börse Berlin - <http://www.boerse-berlin.com>) that combines latest generation technology and an innovative operating model to provide clients with dynamic Best Execution on the stock market.



- B. the order must refer to an instrument that is being traded in the relevant market;
- C. the order must not contain execution instructions with algorithmic strategies;
- D. the order size must be smaller than the threshold, identified for each individual security, in the appropriate file published on the Bank's website in the MIFID/Best Execution/Equiduct Apex Instruments section.

If the above conditions are not fulfilled or if the Equiduct market is unavailable, orders are directed to the venue identified on the Order Execution Strategy model chosen by clients.

If the above conditions are met, orders are sent to Equiduct and remain in that market until execution, cancellation/non-execution, or a request for withdrawal.

Customer orders that have consented to the use of Equiduct Zenith can only be executed on Equiduct (Zenith) when the conditions outlined in point A) and B) above are met, and only if:

- ◆ The orders include execution instructions with algorithmic strategies such as TWAP, VWAP, or PART.
- ◆ The size of the orders generated through algorithmic strategies is below the threshold identified for each individual security in the dedicated file published on the Bank's website, under the MIFID/Best Execution/Equiduct Zenith Instruments section.

In the absence of the above conditions, orders are directed to the venue identified based on the client's chosen Order Execution Strategy model.

However, if the above conditions are met, orders are routed to the best execution venue between Equiduct and the reference market.

If there is a failure to execute or the Equiduct market is unavailable, individual orders generated through the algorithm will instead be sent to the reference market.

## 8. Order execution model for bonds and certificates

Regarding bonds and certificates, when an order is received without specific instructions as to the trading venue, the Bank (via the AOR system) checks:

- ◆ If the financial instrument is tradable at only one trading venue to which it has access; in which case the Bank directs the order straight to that venue;
- ◆ If the financial instrument is tradable at more than one trading venue, the Bank selects, in accordance with the order's characteristics and market rules, the best venue to which it has direct access, based on their respective conditions at the time the order is received (according to the "dynamic" best execution strategy model);



- ◆ *If the order can be executed immediately*, the Bank executes the order based on dynamic best execution criteria and sends the result of the trade to the client. The order may be executed in whole or in part;
- ◆ *If the order or part of it cannot be executed immediately*, the Bank publishes the order at the reference venue (chosen based on having the highest liquidity). In this case the order may become executable at a later stage and therefore:
  - ◆ If the order is subsequently executed in full or in part at the same venue where it was published (the reference venue), the Bank sends the client confirmation of the results of the trade;
  - ◆ If the order or part of it becomes executable at a later stage at an alternative venue included in the Strategy, the Bank activates the function to move the order to the venue offering the best trading conditions compatible with the order. Once the order has been moved to the alternative venue:
    - i) If it is not executed: the order is published at the reference venue;
    - ii) If it is executed in part: the unexecuted part of the order continues to be published at the alternative venue where the partial execution took place;
  - ◆ If the order does not become executable at any venue within the time limits set by the client, the Bank informs the client that the transaction has not been executed.

The dynamic best execution operating model for the bond and certificates component which the Bank has adopted is based on an algorithm integrated into the order management system which, at the execution stage, assesses the quality of the execution offered by the individual trading venues to which the Bank has direct access.

Dynamic assessment is based on an algorithm which takes the following factors into consideration:

- ◆ Price and costs;
- ◆ Probability of execution;
- ◆ Speed of execution.

The importance of these factors is contained in the algorithm and is compliant with Section 5. of the Strategy. The parameters are assessed on the basis of information available in real time. The quality of execution provided by the individual venues is measured by means of a synthetic indicator which, based on an algorithm, combines the values of the individual best execution factors, the relative weighting of which is measured by means of a weighting vector of the "price and costs", "probability of execution" and "speed of execution" scores.

This vector, in accordance with the weighting assigned by the Bank, assigns the following weightings for all clients (i.e., retail and professional):

### **Order Execution and Transmission Strategy**



- ◆ 98% for the “price and costs” factor;
- ◆ 1.9% for the “probability of execution” factor;
- ◆ 0.1% for the “speed of execution” factor.

Other parameters that could impact on the order execution method are:

- ◆ The liquidity of the financial instrument traded: this parameter is considered implicitly in the “probability of execution” factor;
- ◆ The size of the order: insofar as this may affect other factors such as the execution price and the speed or probability of execution.

With reference to the financial instruments in the bond and certificates segment that are tradable at trading venues, it has been observed that the national regulated markets and the MTFs to which the Bank has direct access are able to offer competitive trading conditions and high liquidity levels, guaranteeing coverage of the majority of the range of instruments currently and historically traded by clients.

Unless a different instruction is given by the client, the Bank shall take into account the possibility of executing the order either on trading venues other than those highlighted in the above paragraph or OTC (cfr. previous paragraph 2.1), on the condition that prices are lower than those offered by the said venues. With regard to interconnected clients such assessment is only conducted when the volume of the order is above the thresholds agreed with the client.

## 9. Execution model of orders on currencies (Forex Forward)

To achieve the best execution in the client's interest, Mediobanca executes orders on currency by acting as a direct counterparty (own account), via MTF, or outside of a trading venue (OTC).

Clients' orders are executed on MTF or OTC according to the instructions provided by the clients themselves.

The Bank promptly executes clients' Orders at the price provided, in line with market conditions.

The price of trading with the client is determined by the fair value of the instrument to which costs are applied within the maximum limits defined by the Bank.

The same rules as above also apply to spot Forex trading, although outside the scope of the strategy.





On 03/29/2022 Mediobanca joined the Global FX Code (which contains general principles of good practice in Forex trading)<sup>10</sup>.

## 10. Glossary

Termine	Definizione
<b>Internalizzatori sistemati ("SI")</b>	Investment firms which, on an organized, frequent and substantial basis, deal on own account when executing client orders outside a regulated market, an MTF or OTF, without managing a multilateral facility.
<b>Market maker</b>	A person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against that person's proprietary capital at prices defined by that person.
<b>Regulated Markets regolamentati ("RM")</b>	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.
<b>OTC</b>	Execution of orders "over-the-counter", i.e., outside a trading venue.
<b>Execution Venues</b>	An RM, an MTF, an OTF, an IS, a market maker or another provider of liquidity.
<b>Trading Venues</b>	An RM, an MTF or an OTF.
<b>Multilateral Trading Facilities ("MTF")</b>	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.
<b>Organized Trading Facilities ("OTF")</b>	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.

<sup>10</sup> For further information please refer to the Bank's website ([www.mediobanca.com](http://www.mediobanca.com)) MiFID section, Global FX Code. **Order Execution and Transmission Strategy**



## Annex A Procedures for order aggregation and assignment

According to Article 68 of Commission Delegated Regulation 2017/565 supplementing Directive 2014/65/EU (MiFID II), investment firms shall not carry out a client order or a transaction for own account in aggregation with another client order unless the following conditions are met:

- ◆ It is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated;
- ◆ It is disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order;
- ◆ An order allocation policy is established and effectively implemented, providing 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.

Where an investment firm aggregates an order with one or more other client orders and the aggregated order is partially executed, it shall allocate the related trades in accordance with its order allocation policy.

In view of the above, Mediobanca may aggregate client orders, being careful to check rigorously that the following conditions have been met:

- ◆ That the orders are of the same type (e.g. sale, acquisition, exchange, etc.);
- ◆ That the orders regard the same financial instrument;
- ◆ That the orders present the same execution policy (specifically, the same execution venues);
- ◆ Same execution parameters (e.g. "fill or kill" orders);
- ◆ Same specific instructions – same algorithm strategy (VWAP, TWAP, VP);
- ◆ For VWAP or TWAP strategies, same expiry periods;
- ◆ For volume participation strategies, same participation rates.

By way of further clarification, it should be noted that aggregation is not permitted in the following cases:

- ◆ Orders presented on different working days or with different periods of validity;
- ◆ Orders which make provision for different execution venues.

The allocation procedure must also comply with the following principles:



- ◆ In cases which involve full execution of an aggregated order, the assignment must be made based on the characteristics of the individual clients' orders;
- ◆ In cases which involve partial execution of an aggregated order, the assignment must be pro rata to the volume for each individual order without any damage to any client whose orders have been aggregated;
- ◆ In cases where the order is executed at a better price than the limit price originally set by the client, the entire profit will go to the client themselves;
- ◆ In cases where orders are made at different times and aggregated subsequently, the first order will contribute to form the result of the aggregated order only for that portion which has not yet been executed at the time when the orders are aggregated (it being understood that the orders will be executed in a timely manner and in sequence: if client A makes an order at 9:00 and client B makes another at 9:10, with aggregation starting from 9:10, any results obtained in relation to client A's order between 9:00 and 9:10 will be assigned to client A alone and not shared pro rata with client B).

For purposes of clarity, it should be noted that aggregated orders cannot be executed, even partially, in cases where the Bank is acting as principal.

Furthermore, order aggregation must be performed rigorously at the execution venue, hence OTC trades are not permitted.

Procedures for order aggregation and assignment doesn't apply to trades on currency (FX, spot and forward).

The procedure will be reviewed annually, in conjunction with the review of the Order execution and transmission strategy.