

General Principles for Executing and Transmitting Orders

Last updated: April 2022

General Principles for Executing and Transmitting Orders (Best Execution Policy)

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Investment firms are required to ensure that orders from customers to buy or sell financial instruments are executed in accordance with a written policy which aims to produce the best-possible result for the customer.

This does not mean that the execution of each order must actually produce the best result. Rather, the deciding factor is whether the procedure used typically produces the best possible result for the customer.

BayernLB executes orders to buy or sell financial instruments (securities and other financial instruments) in accordance with the following principles.

Scope of application

These execution and transmission principles describe the general procedure used by BayernLB for retail customers and professional customers within the meaning of the German Securities Trading Act (WpHG – Wertpapierhandelsgesetz). If exceptional market situations or market/system disruptions arise, such as the failure of individual or multiple trading venues, BayernLB may choose an execution that deviates from these principles while safeguarding the customer's interests.

Precedence of customer instructions

1. An instruction by a customer always takes precedence. BayernLB will always comply with any instructions issued by the customer when executing a buy or sell order.
2. When BayernLB executes an order in accordance with the customer's express instructions, the obligation to achieve the best result is regarded as complied with for the order parameters covered by the instructions. In this case, the principles do not apply to those parameters.
3. If the customer's instructions only involve individual parameters (price, cost, etc.), the principles are deemed to be complied with for those particular parameters. Order parameters not included in the customer's instructions are still subject to the execution principles.
4. BayernLB cannot guarantee that the execution of the order will produce to the best result when a customer issues an instruction.

Best execution principles for securities and other financial instruments

The best execution principles apply equally to retail and professional customers regardless of the type of financial instrument. Unless the customer instructs otherwise, BayernLB always conducts transactions for retail customers using the fixed-price model.

1. Fixed-price transactions

- 1.1 Fixed-price transactions are directly contracted between BayernLB and a customer which are not conducted on a trading venue.
- 1.2 Where buy or sell orders are executed as fixed-price transactions, BayernLB shall ensure that they are executed at market conditions. If BayernLB is the issuer of the financial instruments, customers' buy and sell orders for these instruments are generally executed as fixed-price transactions. If the customer so desires, the order may be executed on a trading venue as long as the financial instrument is traded there.
- 1.3 In principle, all classes of financial instruments can be traded outside of a trading venue. Executing these transactions involves additional risks. In particular, there is the risk of default by the counterparty between the time of payment and the delivery of the financial instrument.

2. Agency transactions

- 2.1 When BayernLB acts as an agent, it buys or sells financial instruments from another market participant on a trading venue in its own name for the customer's account.
- 2.2 Orders for financial instruments from German issuers (domestic financial instruments) that are traded on a regulated market (stock exchange), a multilateral trading facility, within the meaning of section 2 para 8 no. 8 of the German Securities Trading Act (MTF), an organised trading facility (OTF), by a systematic internaliser (SI), a market maker or a liquidity provider, will be forwarded for execution as in the overview in the Appendix and details to the General Principles.
- 2.3 Orders for financial instruments of domestic issuers (domestic financial instruments) which are traded solely on a domestic regional exchange will be forwarded for execution as in the overview in the Appendix and details to the General Principles.
- 2.4 Orders for financial instruments of foreign issuers (foreign financial instruments) are forwarded for execution.
- 2.5 For professional customers, the quality of execution is measured primarily in terms of costs, price and likelihood of execution. If this does not lead to a clear result, then speed of execution and settlement security will be evaluated. If the same quality of execution can be obtained on more than one trading venue, BayernLB shall select one at its discretion in accordance with selected criteria. The criteria for selecting the best execution venue can be seen in the appendix to these principles.
- 2.6 The best possible execution venue is determined under the assumption that the standard settlement for each security applies. If the assets are held in a depository or custody type that is different from that of the execution venue, the customer will have to issue suitable instructions.
- 2.7 In accordance with legal provisions, the issue and redemption of investment fund units are not subject to these execution principles. Issue and redemption is conducted through the custodian bank. Customers who want to place a buy or sell order on a regulated market (stock exchange) or multilateral trading facility must instruct BayernLB accordingly.

2.8 Orders for profit participation certificates and warrants require an instruction from the customer. Orders for subscription rights and ancillary rights generally require an instruction from the customer as well. If the customer fails to issue an instruction, the automatic sale will take place in the best interest of the customer on the last day of trading in accordance with no. 15 of the Conditions for Securities Transactions.

3. Notice about special types of execution

3.1 Request-for-Quote-trading for Exchange Traded Funds (ETF):

BayernLB executes orders on Request-for-Quote platforms when instructed to do so by the customer.

RFQ systems allow firm quotes to be obtained from up to eight counterparties before a transaction is conducted. In the first step, BayernLB selects a maximum of eight counterparties with which it has most often conducted transactions in the past relative to all orders.

BayernLB will comply with customers' wishes for particular counterparties when the counterparties have gone through BayernLB's know-your-customer process and have been set up for requests in the system.

From the eight quotes, BayernLB will select the one with the best price.

3.2 Request-for-Quote-trading for Exchange traded Derivatives (ETD):

This system allows firm quotes to be obtained from up to eight counterparties before a transaction is conducted. In the first step, BayernLB selects a maximum of eight counterparties with which it has most often conducted transactions in the past relative to all order.

BayernLB will comply with customers' wishes for particular counterparties, when the counterparties can be selected and technically activated for BayernLB on the EUREX EN-Light platform.

From the eight quotes, BayernLB will select the one with the best price.

Best execution principles for transmitted orders

For professional customers, BayernLB transmits orders for the following classes of financial instruments in order to obtain the best execution.

- Equities
- Exchange Traded Funds (ETF)
- Exchange Traded Derivatives (ETD)

The entities listed in Section III of the Appendix and details can be considered as execution entities. This list corresponds to the status at the time the execution principles were drawn up. Any changes to the list will be published accordingly on the BayernLB website. The current list can be accessed online at www.bayernlb.de or directly from BayernLB on request.

Execution entities are evaluated on the basis of the costs charged for executing the order. The selection of the best entity for executing the order depends on the country and class of the financial instrument.

In the case of the execution of orders in financial instruments of foreign issuers, the principles of order execution of the respective selected execution entity apply.

In cases where orders are executed for financial instruments issued by domestic issuers, BayernLB's order execution policy applies. BayernLB issues instructions to ensure that the execution by the selected execution entity complies with BayernLB's order execution policy. Customer instructions always take precedence when forwarding orders.

Review of the principles

BayernLB reviews its execution venues and entities for transmitted orders selected in accordance with these execution and transmitting principles at least once a year. In addition, the policy is reviewed whenever a major change occurs that leads to the conclusion that executing orders on the execution venues covered by the Execution Principles can no longer be assumed to be always in the customer's best interests. BayernLB regularly reviews the effectiveness of its Execution and Transmission Principles and revises them as required.

Further information

More information about executing and transmitting customer orders can be found on BayernLB's website.

Appendix and details to the General Principles for executing and transmitting orders

Order execution

1. Factors considered in determining the best execution venue

Pursuant to Section 82 para 2 of the German Securities Trading Act (WpHG), BayernLB is required to take into consideration all criteria relevant to achieving the best execution results when preparing its Best Execution Principles. The criteria include: price, the costs associated with order execution, the speed of execution, the probability of execution and settlement security. The criteria are weighted according to the type and size of the order, the customer's circumstances, the order, the financial instrument and the execution venue.

1.1 Price

The possibility of achieving the best-possible price depends in part on the established price-setting mechanism laid down in the rules of the execution venue. For example, prices may be set by auction (on an order-driven market) or may go through a neutral market participant (market maker, on a quote-driven market). Other factors significantly affecting the price achievable include the liquidity of the execution venue, the use of reference markets, quotation obligations and the inclusion of maximum bid/ask spreads in the stock exchange regulations.

1.2 Costs

Costs consist of two basic components: third-party and own costs. In the first step in determining the best execution venue for customer orders, only third-party costs are considered in accordance with section 33a sub-section 3 of WpHG.

- Third-party costs incurred arise from the transaction costs (e.g. brokerage, transaction charges) and settlement costs (e.g. clearing fees, delivery fees) payable. These costs can vary depending on the market segment and execution venue. Any partial executions may affect the third-party costs incurred and so must also be considered.
- In the event that multiple execution venues are shown to be equal, own fees and commission shall be taken into account.

1.3 Speed of execution

The speed of execution is the time that elapses between the receipt of an order and its allocation. The fastest-possible execution of customer orders is dependent on the trading hours of the exchange in question, but also on ongoing technical support through automated matching, limit control systems and the setting of maximum execution times in the rules of the execution venue.

1.4 Likelihood of execution

The probability that a customer order will be executed depends to a large extent on the liquidity of the execution venue, be it natural liquidity or liquidity provided on demand by a market

maker. The use of reference markets in price setting and the establishment of execution obligations in the rules of an execution venue produce a high degree of likelihood of execution.

1.5 Certainty of settlement

Certainty of settlement covers all factors that maximise investor protection.

- Organisation of the stock exchange under public law and monitoring by the respective stock exchange supervisory authority.
- The Market Supervision Office, as an independent stock exchange body. This body primarily monitors:
 - price setting,
 - compliance with execution guarantees (e.g. best-price principle),
 - compliance with regulations,
 - compliance with stock exchange rules and regulations.
- The Disciplinary Committee as an independent stock exchange body.
- Information services provided by the respective execution venue.
- Mistrade rules laid down by the respective execution venue.
- Execution guarantees (e.g. best-price principle) within the rules of the execution venue.
- Investor protection mechanisms within the rules of the execution venue.
- Operational risks regarding delivery.

2. Weighting of factors considered in determining the best execution venue

- 2.1 The Best Execution Principles for professional customers are based on the factors and criteria for determining the best possible execution venue in Section 82 para 2 of the German Securities Trading Act. In accordance with this, BayernLB gives priority to costs, price and likelihood of execution when selecting the best execution venue. If more than one execution venue offers the best execution in terms of costs, price and likelihood of execution, then speed of execution and settlement security are evaluated next.
- 2.2 If several execution venues still offer the best execution, then BayernLB will select one at its discretion.

3. Results of the procedure to determine the best execution venue

- 3.1 Pursuant to Section 82 paras 10 and 11 of the German Securities Trading Act, execution venues have to publically release free, machine readable reports at regular intervals about the quality of execution. These reports provide conclusions about the factors listed under order execution no. 1 or evaluate the quality of execution at the financial instrument level.

To identify the best possible execution venue, the quality of execution reports from all the relevant execution venues are included, aggregated by financial instrument class and analysed based on the factors for professional customers under order execution no. 2.

The result of the analysis ensures that customer orders always get the best possible execution. The evaluation only takes into account the execution venues available at the time of the order, see Order execution no. 3.

- 3.2 If only one execution venue is available for a class of financial instruments, then an analysis of the quality of execution reports is not conducted. An internal monitoring process ensures that this execution venue offers the best possible result for the customer.

Transmitting orders

1. Factors considered in determining the best entity to transmit orders to

Pursuant to Article 65 para 5 of Delegated Regulation (EU) 2017/565, principles for professional customers are to be established to determine the best entities to which orders are transmitted for execution. When determining the best entity, BayernLB takes into account the factors that are most important for transmitting orders.

2. Weighting of factors considered in determining the best entity to transmit orders to

For transmitted orders, BayernLB defines the costs that the entity charges the customer as the number one criterion. If several entities offer the best execution of transmitted orders, then BayernLB will select one at its discretion.

3. Results of the evaluation of the best possible entity to transmit orders to

When evaluating which entity to transmit an order to, the costs that the entity charges the customer by class of financial instrument and country of execution are analysed. The costs are based on individual agreements with each entity.

List of execution venues and entities to which orders are transmitted

BayernLB distinguishes execution venues and entities to transmit orders to by class of financial instrument as well as domestic and foreign. The following table summarises the execution venues and entities that are generally eligible from BayernLB's point of view.

This list corresponds to the status at the time the execution principles were drawn up. Any changes to the list will be published accordingly on the BayernLB website. The current list can be accessed online at www.bayernlb.de or directly from BayernLB on request.

Financial instrument	Region	Execution venues	Order execution	Order transmission
Equities	Germany	Xetra		X
		other venues (MTF)		X
	Germany, Abroad	Domestic regional exchange		X
	Abroad	Various trading venues		X
ETF	Germany	Xetra RFQ platforms (Bloomberg RFQE)	X	X
	Abroad	Various trading venues RFQ platforms (Bloomberg RFQE)	X	X
ETD	Germany	EUREX RFQ-platforms (EUREX EN-Light)	X X	
	Abroad	Various trading venues		X

1. Overview of multilateral trading facilities (MTF)

When executing orders for domestic stock exchanges, BayernLB takes the following multilateral trading systems (MTFs) into account within the framework of its execution principles.

Multilaterale trading facilities (MTF)	Website
AQUIS EXCHANGE	www.aquis.eu
CBOE DXE Orderbook)	www.markets.cboe.com
TURQUOISE EXCHANGE	www.lseg.com

2. Overview of Domestic regional exchange

BayernLB forwards orders directly to the forwarding institution Joh. Berenberg, Gossler & Co. KG to execute the order.

Domestic regional exchange	Website
Berlin-Bremen stock exchange	www.boerse-berlin.de
Düsseldorf stock exchange	www.boerse-duesseldorf.de
Frankfurt stock exchange	www.boerse-frankfurt.de
Hamburg-Hannover stock	www.boersenag.de
Munich stock exchange	www.boerse-muenchen.de
Stuttgart stock exchange	www.boerse-stuttgart.de

3. Overview of entities to which orders are transmitted

BayernLB uses the following entities to transmit execute orders.

Entity to which orders are transmitted	Website	Financial instrument
Joh. Berenberg, Gossler & CO KG	www.berenberg.de	Equities on domestic regional exchange
Citigroup Global Markets Europe AG	www.citigroup.com	Equities and ETFs
Credit Suisse Securities S.V., S.A.	www.credit-suisse.com	Equities and ETFs
Morgan Stanley Europe SE	www.morganstanley.com	Equities and ETFs
UBS Europe SE	www.ubs.com	Equities, ETFs and ETDs
Baader Bank	www.baaderbank.de	Equities and ETFs

Summary of the General Principles for Executing and Transmitting Orders for retail customers

Investment firms which execute customer orders are required to publish a summary of the underlying principles.

Detailed information can be found in BayernLB's General Principles for Executing Orders and Transmitting Orders (Best Execution Policy)

The general principles for order execution specifically for retail customers are summarised below:

1. Unless the customer instruct otherwise, BayernLB always conducts transactions for retail customers using the fixedprice model.
2. Fixed-price transactions are directly contracted between BayernLB and a customer which are not conducted on a trading venue.
3. Where buy or sell orders are executed as fixed-price transactions, BayernLB shall ensure that they are executed at market conditions.
4. Executing transactions outside of a trading venue involves additional risks. In particular, there is the risk of default by the counterparty between the time of payment and the delivery of the financial instrument.
5. More information (including Top 5 Reports and Quality Report) can be found on BayernLB's website via the following link.

https://www.bayernlb.com/internet/en/blb/resp/about_us/rechtliche_hinweise_2/mifid_ii_9/top_1/top_5.jsp



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