

**Best execution and best selection policy**

**Crédit Mutuel Alliance Fédérale**

**1-Preamble**

Pursuant to regulation in effect, Crédit Mutuel Alliance Fédérale (the “Bank”) has to take all sufficient steps to deliver the best possible result for its Professional and non-Professional clients (“Client(s)”) when executing orders on financial instruments.

For this purpose and pursuant to the regulation, the Bank shall establish and implement:

- an execution policy for orders on financial instruments that specifies, in the interest of transparency, the conditions under which orders received from Clients are executed at the execution venues. It describes the sufficient steps taken by the Bank to deliver the best possible result;
- a best selection policy regarding intermediaries to which it transmits an order from its Clients for execution, allowing it to obtain the best possible result.

These policies include, for each category of financial instrument, information on the different systems on which the Bank executes the orders of its Clients, and the factors influencing the choice of execution venue.

When the Bank does not execute the orders of its Clients directly, it has established and implements a policy of selecting the entities responsible for executing these orders, in order to obtain the best execution for the Clients.

The present best execution and best selection policy is available on the Bank’s website.

## 2-Best execution policy

### 2.1 Best execution factors

Best execution is the search for the best result given the different factors that can influence it. In the absence of specific instructions, the Bank determines that the following factors are to be considered in order to ensure the best possible execution, in no order of priority:

- order processing costs;
- the rapidity of access to the different markets;
- the nature of the order on these markets depending on their liquidity;
- the purchase price of the financial instrument (or the execution price);
- the probability of order execution and settlement on these markets;
- the security of transaction processing and the transfer of ownership of financial instruments purchased;
- the size (number of securities purchased or sold);
- any other consideration to take into account for its execution.

The Bank could also take into account in its execution policy, depending on the client category concerned, notably and in no order of priority, the following qualitative factors:

- the diversity of services offered (extended trading hours, types of order proposed);
- the reliability and robustness of a platform and/or the sustainability of its activity;
- the market impact of an order;
- the possibility of providing Clients with full and comprehensible information on the execution mechanisms;
- a platform's use of a clearing house;
- the simplicity of mechanisms and rapidity of execution, transparency of the price formation process (pre-trade).

Nevertheless, and pursuant to Article 27 of the Directive 2014/65/UE ("MiFID2"), when the Bank executes an order on behalf of a non-Professional Client, the best possible result is determined on the basis of the total cost<sup>2</sup>.

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<sup>2</sup> The total cost is the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

## 2.2 Best execution criteria

The Bank determines the relative importance of the above-mentioned factors by taking into account the following criteria, in no order of priority:

- the characteristics of the Client, including its categorisation as a non-Professional Client or a Professional Client;
- the characteristics of the order concerned;
- the characteristics of the financial instruments that are the subject of this order;
- the characteristics of the execution platforms to which this order may be routed;
- the market practices that govern the given transaction type,
- the Bank's commercial experience (knowledge of the client, the market, the modalities of the order, etc.);
- the market information available at the time of execution.

The qualitative criteria of this execution policy reserved for non-Professional clients have to take into account the fact that the main criterion for this category of Clients is the total cost.

## 2.3 Selected execution venues

The Bank believes that regulated markets (or an equivalent listing venue for some foreign markets) offer the best cost, likelihood and rapidity of order execution, as well as the best payment security and transfer of ownership of securities, helping to obtain the best result possible for Clients.

The bank thus selects:

- regulated markets as a priority;
- the main trading platforms known as multi-trading facilities (MTF)<sup>3</sup>;
- other members of third-party markets with which the Bank has contractual agreements in accordance with its counterparty, external or in-house broker selection policy;
- the Bank (when the Bank acts as counterparty for the Client with regard to order execution).

The Bank chooses its execution platforms from the above list depending on each financial instrument class in order to obtain the "best execution" conditions in line with the factors selected by the Bank.

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<sup>3</sup> A multi-trading facility used by an investment firm or market operator authorised by a regulatory authority, but not in the capacity of a regulated market, which ensures the bringing together of multiple buying and selling interests expressed in financial instruments by third parties, in accordance with non-discretionary rules, in such a way as to conclude contracts on these instruments.

Initially the Bank selects the execution platforms based on the level of liquidity they offer, then, and in no particular order of priority, based on the factors and criteria set out in the aforementioned articles 2.1 and 2.2.

The list of execution platforms is detailed on the Bank's website in terms of the type of financial instrument traded and type of Client. It may be subject to modifications in order to broaden the range of execution options available and obtain the best execution possible. The Client is invited to consult this list in order to have the most recent version.

In any case, as part of its execution policy, the Bank reserves the right to only include a single execution venue if it is able to show that this venue obtains the best possible result.

Each year on its website, the entity in charge of the execution in the Bank publishes the top five execution platforms on which it has executed orders, in terms of trading volumes, for each category of financial instruments and each type of Client. Each year, it also publishes a summary of and conclusions drawn from the detailed monitoring of the quality of execution obtained for the platforms on which it executed Clients' orders.

#### **2.4 "Best execution" scope of application**

The obligation of best execution applies when the Bank executes an order given by a Client on a financial instrument, as set out in the 2014/65/EU Directive on financial instrument markets (known as the MiFID 2 Directive) in Section C of Annex 1 entitled "Financial instruments".

For OTC financial instrument trades (between the Bank and its Client), such as some financial futures or on non-regulated markets, including for bespoke products, the Bank checks the fairness of the price put forward to the Client by collecting the market data used to estimate the product price (and insofar as such information is available, comparing it to similar or comparable products).

Any specific request from a Client concerning, for example, the price, execution venue or type of order, is seen by the Bank as being a specific instruction. In the event that the Bank accepts to execute such an order, it does so respecting the Client's specific instruction(s).

The Bank satisfies with its obligation to take all sufficient steps to obtain the best possible result for a Client to the extent that it executes an order or a specific aspect of an order following specific instructions from the client relating to the order or the specific aspect of the order. However, "best execution" will apply to aspects of the order not covered by the Client's specific instructions.

### **3- The best selection policy**

#### **The choice of intermediary**

The Bank implements a selection policy for financial institutions, brokers or other intermediaries to which client orders are entrusted for execution on French and foreign markets. The selected entities must have order execution procedures and mechanisms that correspond to the objectives set out in the Bank's execution policy and notably to the above-mentioned factors and criteria.

This selection policy is based on a group of criteria chosen at the Bank's discretion and enabling the Bank to evaluate the intermediary concerned with regard to the application of regulatory obligations, standards of good practice, and the quality of client-order processing, with a view to obtaining the best possible result in accordance with the execution policy.

These criteria may notably be the following, in no order of priority:

- criteria linked to rules of good conduct observed in the profession (non-use of information, absence of the bundling or slippage of orders, etc.);
- technical criteria relating to the modalities of the transmission and execution of orders (rapidity of routing, rapidity of the response once the order is executed, capacity to transmit the necessary information, etc.);
- criteria relating to the means implemented to ensure secure processing (back-up plans, retention of proof of execution, the audit trail required for controls, the quality of administrative services, etc.).

The Bank prefers intermediaries that implement fully automated processes in order to ensure the most efficient total cost for the transaction, to automatically route orders as rapidly as possible to different markets, whether French or foreign, and to obtain the execution responses in return by the same channel, seamlessly, so as to minimise the risk of error.

The list of counterparties and third-party brokers or those belonging to the Bank is published on the Bank's website. This list is subject to change with a view to expanding the execution possibilities offered and to obtaining the best possible execution. The Client is encouraged to consult this list in order to have the latest updated information.

Moreover, the Bank publishes annually on its website and for each category of financial instruments, the ranking of the top five intermediaries in terms of trading volumes and to which it transmits orders for execution, and summary information of the quality of execution obtained.

#### **4- Clients' instructions**

The Bank makes every effort to satisfy its Clients' requirements in terms of quality, rapidity, security and cost. However, in light of the rules of the markets concerned and under certain market configurations, execution of the order may be delayed, partial or impossible, for reasons beyond the control of the Bank. This is notably the case when the liquidity is insufficient with regard to the size of the order, or when the trading session is suspended.

Likewise, in the case of a specific instruction given by a Client or its agent concerning the order or a precise aspect of the order, the Bank may be placed in a situation in which it is no longer able to obtain the best possible result and, in this case, no longer able to apply the intended execution policy, on all or part of the order.

This situation notably occurs when a price limit has not been attained and, as a result, the order is not executed. In this case, the Bank takes the requisite steps to facilitate the execution as rapidly as possible by transmitting the order to a regulated market or possibly to an MTF and thus making it easily accessible to the other market participants. However, the Bank reserves the right not to make public a limit order exceeding the standard market size should disclosure of such information be likely to prejudice the interest of clients or the market.

#### **5- Order execution framework**

The Bank implements procedures to ensure timely and equitable execution of orders by a Client in relation to orders of other Clients. These procedures dictate that orders are to be recorded and acted upon with speed and accuracy in the order they are received, while bearing in mind market conditions and the Client's instructions.

Once the order has been executed, the Bank transmits to the Client or its agent, in a timely manner, a transaction notice including the characteristics of the order executed as per the regulations in force, and especially the venue and hour at which the Client's order was executed. The Bank also takes steps to ensure that the financial instruments or funds received to settle the executed order are rapidly and correctly allocated to the Client's account.

The Bank does not receive payment or any non-monetary compensation from third parties as part of the execution of its orders, which would contravene Article 24(9) of the 2014/65/EU Directive.

## **6- Agreement of the Client on the Policy**

The Client declares familiarisation with the Bank's execution and selection policy and accepts it.

The Bank must receive the Client's consent before executing orders outside of a regulated market or a multi-trading facility.

Within the framework of the Order Reception/Transmission activity (ORT), Client orders transmitted by the Bank to third-party brokers can be executed on a venue besides a regulated market or a multi-trading facility.

When the Bank executes an order on a venue other than a regulated market or a multi-trading facility, Clients are exposed to counterparty risk from the counterparty in question. The Client can obtain, upon request, additional information on the consequences of this form of execution.

## **7- The control of execution and selection policies**

The Bank's Compliance and Risk Control departments have established a system whereby controls are carried out regularly in order to ensure that these policies are respected.

The use of independent suppliers of market data available at the time of the execution facilitates quantitative controls so as to verify the quality of the services the Bank provides to its Clients.

## **8- Updating execution and selection policies**

Execution and selection policies are reviewed every year. A review is also carried out every time there is a material change that affects the Bank's ability to continue obtaining the best possible outcome in the execution of Client orders by using the execution platforms in its execution policy. The Bank reserves the right to modify the selection of its intermediaries (based on the evaluation chart) and to sever relations with those who fail to respond to its selection criteria so as to give itself an opportunity to work with new clients.