

## **Principles for the Execution of Orders in Financial Instruments (Best Execution)**

The following principles apply to the execution of orders that the client places with us for the purpose of buying or selling securities or other financial instruments (e.g. options). Within this context, execution means that we conclude a corresponding execution transaction (commission transaction) with another party on a suitable market on the basis of the client order on the account of the client. This does not apply to the issue of units in unlisted investment undertakings at issue price, or to their redemption at redemption price via the respective custodian bank.

The following principles are also applicable if we buy or sell financial instruments on the account of the client in the fulfilment of our obligations arising out of an asset management agreement with the client.

**Unless you object in writing within 30 days from the date of receipt of these Principles, you shall be deemed to have accepted them.**

If the client requires further information about our execution strategies, provisions and review procedures, we shall be pleased to provide this information within a reasonable response period.

### **1. Execution of orders / execution criteria**

Client orders may be executed regularly via different execution channels or at different execution venues, e.g. on a stock exchange, over-the-counter, via third parties, in Liechtenstein or abroad. We execute client orders through the respective execution channels and on the respective execution venues that, as a rule, are consistently expected to provide the best possible execution in the interest of the client. In this conjunction we take account of the following execution criteria: Costs, price, speed, likelihood of execution and settlement, the scope, nature of the order as well as all other aspects of relevance to the order execution, whereby we take reasonable account of the nature of the client, of the order and of the financial instrument.

When determining the specific execution venues, we assume that the private client wishes primarily to achieve the best-possible overall price (price of the financial instrument and all costs associated with the execution) – taking account of all costs directly associated with the execution transaction (e.g. execution venue fees, clearing and settlement fees, cost of changing to another custodian). Because securities tend to be subject to price fluctuations, and because for this reason over the course of time it is not possible to exclude the possibility that a price may develop to the detriment of the client, particular attention is paid to execution venues where a comprehensive execution is likely and possible without delay. Within the context of the aforementioned standards, we shall also take account of other relevant criteria (e.g. the state of the market, security of the settlement).

In the event of the execution of transactions for professional clients, when selecting the execution venues we take account of the below-specified factors with the following weighting:

- 25% best price (liquid stock exchange)
- 20% speed of the order forwarding (external online order logging system, telephone, fax)
- 20% costs (stock exchange fee, broker fee)
- 15% creditworthiness of the broker, of the bank or custodian

- 10% quality of the execution statement and settlement (prompt receipt)
- 8% settlement risk
- 2% susceptibility to errors, system stability (recording systems)

## 2. Execution venues

### 2.1. Selecting the execution venues

Within the context of the selection of the execution venues, in addition to the available clearing systems and emergency systems of the trading venues, we also draw upon the quarterly published information of the trading venues pertaining to the quality of the execution of the orders with the financial instruments that are traded there. In this conjunction, trading venues provide inter alia the following information:

- **Nature, quantity and average duration of outages during normal trading periods;**
- **Nature, quantity and average duration of scheduled auctions during normal trading periods;**
  - Number of failed transactions;
  - Value of failed transactions as a percentage of the total value of the executed transactions;
  - Average price and total value of all transactions in the individual financial instruments that are performed during the first two minutes after defined reference periods;
  - Price of the first performed transaction, if no transaction is performed within two minutes, as well as the execution period, the size of the transaction, the trading system and trading mode, the trading platform as well as the best bid and offer of the suitable reference price at the time of execution for each of these transactions;
  - Daily information: simple, average and volume-weighted transaction price as well as executed maximum and minimum price
  - Nature and level of the cost components, the price reductions and discounts, the non-monetary performances, the taxes and duties of the execution venue as well as the differences in respect of the dependency of users, financial instruments and sums
  - Number of received orders, number and value of the executed orders as well as of the cancelled and amended orders, average effective bandwidth as well as average volumes, average bandwidth, number of cancellations, number of amendments and average speed of the respective best bids and offers.
  - No placement of bids and offers for longer than 15 minutes

### 2.2. Execution

On the basis of the factors described in Fig. 1 governing the selection of the execution venues for private clients on the one hand and for professional clients on the other, as well as taking account of the information provided by trading venues concerning the quality of the execution in Fig. 2.1, we conclude that a client order shall as a rule be placed and executed on the domestic market. Alternatively, the order may be executed on another market, insofar as equivalent market conditions exist that are in the interest of the client – in particular in terms of the available liquidity and the realisable price. A current list of the respective execution venues on which client orders are regularly executed is available in the appendix.

Any change to this list shall not be reported individually to the client. A current list is either available from us or is provided in the appendix.

### 2.3. Systematic internaliser

We reserve the right to execute client orders through so-called systematic internalisers<sup>1</sup>, insofar as this does not generally entail disadvantages for the client relative to other execution channels.

### 2.4. Limit orders

Limit orders are forwarded in order to achieve the fastest-possible execution on a stock exchange, a so-called multilateral trading facility (MTF)<sup>2</sup> or an organised trading facility (OTF)<sup>3</sup>, or is handled pursuant to Fig. 2.2., insofar as notice is made to tender a limit order to other market participants.

### 2.5. Execution of orders outside a trading venue

We regularly execute client orders on a regulated market, via an MTF, via an OTF or outside a trading venue (OTC). Trades that are executed outside a trading venue always entail a counterparty risk. This risk may result in a loss for the client – in a worst case even a total loss – if the counterparty is unable to fulfil its contractual obligations.

## 3. Execution that deviates from the principle on an exceptional basis

### 3.1. Execution instructions of the client

The client may issue us instructions pertaining to how his order is to be executed. If instructions of this nature have been issued, then these specified execution principles shall have precedence. We shall for this reason execute the order in accordance with the special client instructions, **and in this conjunction shall disregard the present principles governing the best possible execution in respect of these instructions. An instruction issued by the client shall release the bank from the obligation to take measures that it has stipulated and implemented within the context of its Execution Principles in order to achieve the best possible result when executing orders in respect of the elements affected by the respective instruction.**

General instructions that relate not to the execution of a specific order, but instead to all future orders cannot be considered.

### 3.2. Special market situation

Extraordinary market conditions or market disruptions may make it necessary for us to deviate from the principles stipulated herein; under such circumstances, however, we shall act to the best of our knowledge and ability in the interest of the client.

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<sup>1</sup> Systematic internaliser = other financial services company that in an organised and systematic manner regularly trades on own account by executing client orders outside a regulated market or MTF.

<sup>2</sup> Multilateral trading facility = a multilateral trading system that brings together the interests of a large number of third parties in the purchase and sale of financial instruments to conclude an agreement within the system pursuant to non-discretionary rules.

<sup>3</sup> Multilateral system that is not a regulated market or MTF and that brings together the interests of a large number of third parties in the purchase and sale of debentures, structured financial products, issue certificates or derivatives to conclude an agreement within the system.

### 3.3. Deviation to achieve best execution for the client in an individual case

We are able to deviate from the immediate execution of a client order if this results in more favourable conditions for the client in an individual case (market-friendly order processing).

### 3.4. Pooling

It is often the case that several clients wish to buy or sell the same stock on the same day. It is essentially the case that clients (orders) must be handled equally and fairly, and that the client interest has precedence. In practice, this means that orders shall be executed in the order in which they were received. Pooling may be beneficial or detrimental for a specific order. However, if the pooling of orders is not expected to be detrimental for the client in general terms, then we reserve the right to execute several orders jointly.

## 4. Forwarding of orders

In certain cases we shall not execute the client order ourselves, but shall instead assign this to another financial services company for execution. The client order shall then be settled in accordance with the arrangements made by the other financial services company to achieve best execution.

## 5. Fixed-price transactions

Volksbank AG Liechtenstein does not offer any fixed-price transactions.

In the case of fixed-price transactions, client orders are not executed in accordance with the above-described principles. Volksbank AG would be merely obliged, in accordance with the contractual agreement, to deliver the owed financial instruments to the client in return for payment of the agreed purchase price, and to procure ownership thereof for the client.

## 6. Regular checks

We shall review the execution policy upon which the present Principles are based on regular basis, at least once per annum, to ascertain whether these continue to secure best execution of the client orders. If this review identifies the need to make changes to the present Principles, then we shall amend these accordingly. In the event of significant amendments, we shall inform our clients accordingly.

## 7. Partial execution guidelines

### 7.1 New issues

#### *New share issues*

- 1) Allocations shall be performed in accordance with the distribution formulae of the issue banks.
- 2) Volksbank AG shall apply a distribution formula (volumes) at its complete discretion.

Securities received from new issues shall be distributed in a discretionary manner. This means that if issue banks allocate small denominations, then small subscriptions shall not be served.

***New bond issues***

- 1) Allocations shall be performed in accordance with the distribution formulae of the issue banks.
- 2) Volksbank AG shall apply a distribution formula (volumes) at its complete discretion.

Received nominal assets from new issues shall be distributed on a discretionary basis, taking account of the minimum denomination. This means that if issue banks allocate small amounts, then small subscriptions shall not be served.

***New issues of structured products***

- 1) Allocations shall be performed in accordance with the distribution formulae of the issue banks.
- 2) Volksbank AG shall apply a distribution formula (volumes) at its complete discretion.

Denominations/nominal securities received from new issues shall be distributed in a discretionary manner. This means that if issue banks allocate small amounts, then small subscriptions shall not be served.

**7.2. Block orders*****Pooling of orders / block orders***

As is well known, it may be the case that several clients wish to buy or sell the same stock on the same day. It is essentially the case that client (orders) shall be treated the same and fairly, and that in case of doubt the client interest shall prevail and the orders shall be executed in the order in which they were received. Pooling may, though, be beneficial or detrimental for a specific order. However, if the pooling of orders is not expected to be detrimental for the client in general terms, then we reserve the right to execute several orders jointly. Block orders shall be pooled, insofar as this is possible.

If only a partial execution is possible in conjunction with a block order, then this shall be handled as follows:

- a) If the partial executions (necessarily) result in financial instruments being traded at different prices, then these must be settled at the mixed price.
- b) In other respects (e.g. if fewer financial instruments were marketable than had been desired), then the following shall apply:
  1. first come, first served, or
  2. per capital allocation, or
  3. a corresponding amendment of the order following consultation with the client

Grid for the list of execution venues

## Appendix: Execution principles for different types of financial instrument

### Bonds and other interest-bearing securities

Client orders shall be executed exclusively in the form of commission trades.

Securities type	Classification within the meaning of Art. 66 Para. 3b) Delegate Regulation (EU) 2017/565:	Execution venue
<b>Federal bonds (Bundesanleihen)</b>	Small investor	<p>If the client has agreed to OTC execution, then we shall execute the order in interbank trade with another bank or another financial services provider, insofar as there is no statutory obligation to trade on a trading venue.</p> <p>If no agreement has been issued, an execution in interbank trade shall not be possible and there shall be a statutory obligation to trade on a trading venue, then we shall execute the order on a domestic or non-domestic stock exchange.</p>
	Professional client	
	Eligible counterparty	
<b>Jumbo bonds (Jumbopfandbriefe)</b>	Small investor	
	Professional client	
	Eligible counterparty	
<b>Other interest-bearing securities:</b>	Small investor	
	Professional client	
	Eligible counterparty	

Bonds and other interest-bearing securities of the Volksbank Group shall essentially be subscribed directly from the issuer (Volksbank Vorarlberg e.Gen., Volksbank Wien AG).

## Equities

We execute orders by means of commission, contract brokerage or investment brokerage as follows:

Equities	Classification within the meaning of Art. 66 Para. 3b) Delegate Regulation (EU) 2017/565:	Execution venue
<b>Marketable domestically (Switzerland)</b>	Small investor	Execution on the SWX
	Professional client	
	Eligible counterparty	
<b>Marketable abroad</b>	Small investor	As a rule, execution on the stock exchange of the country in which the respective company has its registered domicile.
	Professional client	
	Eligible counterparty	
	The following also applies to all investor categories	We will choose another stock exchange if the main trading venue deviates from this or if settlement reasons, in particular the sale of shares held abroad or the security of fulfilment, indicate that this is in the interest of the client.

If, in individual cases, the scope of the order makes a different execution appear necessary, we shall execute the order in the interest of the client.

## Investment funds/ETFs

The issue of units in investment funds at issue price as well as their redemption at redemption price in accordance with the provisions of investment legislation is not subject to the statutory provisions concerning the best possible execution of client orders.

It is essentially the case that we execute orders to acquire or to sell units in investment funds in accordance with statutory provisions via investment companies or affiliated independent investment fund service providers.

As a rule, orders in exchange traded funds are settled on the respective domestic stock exchange. Orders with a high value or low market volume can also be bought or sold via a broker directly from the ETF provider.

<b>ETFs</b>	<b>Classification within the meaning of Art. 66 Para. 3b) Delegate Regulation (EU) 2017/565:</b>	<b>Execution venue</b>
<b>Marketable domestically (Switzerland)</b>	Small investor	Execution on the SWX
	Professional client	
	Eligible counterparty	
<b>Marketable abroad</b>	Small investor	As a rule, execution on the stock exchange of the country in which the respective company has its registered domicile.
	Professional client	
	Eligible counterparty	
	The following also applies to all investor categories	We will choose another stock exchange if the main trading venue deviates from this or if settlement reasons, in particular the sale of shares held abroad or the security of fulfilment, indicate that this is in the interest of the client.

**Certificates – warrants – structured products**

Client orders shall be executed exclusively in the form of commission trades.

<b>Certificates/warrants/comparable securities</b>	<b>Classification within the meaning of Art. 66 Para. 3b) Delegated Regulation (EU) 2017/565:</b>	<b>Execution venue</b>
<b>Marketable domestically (Switzerland)</b>	Small investor	Essential execution on the SWX ; Unlisted securities are executed with the issuer or another trading partner that offers to conclude the corresponding transaction (so-called market maker)
	Professional client	
	Eligible counterparty	
<b>Marketable abroad</b>	Small investor	Essentially execution at the respective domestic stock exchange of the security. Unlisted securities are executed with the issuer or another trading partner offering to conclude the corresponding transaction (so-called market maker)
	Professional client	
	Eligible counterparty	

## Financial derivatives

These also include financial futures that are traded under standardised conditions on a stock exchange or that are agreed OTC between us and the issuer or trading partner (so-called market maker) on behalf of the client.

Financial derivatives	Classification within the meaning of Art. 66 Para. 3b) Delegate Regulation (EU) 2017/565:	Execution venue
<b>Traded on a stock exchange</b>	Eligible counterparty	Execution on the stock exchange on which the transaction type (contract) is traded.
<b>Not traded on a stock exchange</b> Currency futures – Currency swaps / OTC options	Eligible counterparty	Execution of the order at the issuer or a suitable trading partner in the form of a commission transaction

## Links to the trading venue information (also see Fig. 2.1.)

Links to the latest published data on the quality of execution at the execution venues mentioned in these Execution Principles are provided below:

<http://www.deutsche-boerse-cash-market.com/dbcm-de/secondary-market>

[http://www.six-swiss-exchange.com/download/participants/participation/ssx\\_participation\\_de.pdf](http://www.six-swiss-exchange.com/download/participants/participation/ssx_participation_de.pdf)