



MEDIOBANCA

Execution and Transmission Strategy Summary



1 Introduction

1.1. Purpose of document

This document provides a summary of the Execution and Transmission Strategy defined by Mediobanca (the “**Bank**”), and governs the provision of the services of execution of orders on behalf of clients and reception and transmission of orders for the management of orders received from professional and retail customers.

1.2. Regulations

The best execution regulation¹ requires investment firms to take, in the execution of their customers' orders, all sufficient steps to obtain the best possible result for their clients taking into account the ‘execution factors’ (see below).

This regulation applies indiscriminately to all financial instruments, whether or not they are admitted to trading on a Regulated Market, and regardless of the trading venue. This Execution Policy governs both the execution of orders on behalf of clients and reception and transmission of orders, albeit to different degrees.

In accordance with the best execution regulation, the obligation to provide best execution to clients translates to the duty, as far as the Bank is concerned, to take into consideration the following execution factors:

- price of the financial instrument;
- costs of execution;
- speed of execution;
- likelihood of execution and settlement;
- size of the order;
- nature of the order;
- any other consideration relevant to the execution of the order.

Where the Bank executes an order on behalf of a **retail client**, the best possible result will be determined in terms of ‘total consideration’, representing the ‘price’ of the financial instrument and the ‘costs’ related to the execution, which shall include all expenses incurred by the client which are directly related to the execution of the order.

The Bank will therefore provide by default to its *retail clients* the “Lit venues” strategy, unless an upgrade to *professional client* has been requested by the client and approved during the onboarding process or at a later stage of the service's relationship.

Moreover, Regulatory Authorities would ordinarily expect that ‘price’ will merit a high relative importance in obtaining the best possible result also for **professional clients**. However, in some circumstances for some clients, orders, financial instruments or markets, it might be

¹ Article 27 of MiFID II Directive 2014/65/EU.



appropriately determined that other execution factors, like 'speed' or 'likelihood of execution', are more important than 'price' in obtaining the best possible execution result.

The Bank will therefore provide by default to its *professional clients* the "Dark & Lit venues" strategy, unless the choice of a different strategy has been notified in writing.

The Bank monitors the effectiveness of its Execution and Transmission Strategy, the execution measures adopted and the quality of execution guaranteed by the execution venues and the brokers identified on an ongoing basis, seeking to rectify any shortcomings detected.

The Bank must be able to demonstrate to the client, at the latter's request, that it has executed the order in accordance with the provisions set down in the Execution and Transmission Strategy.

Every time specific instructions are given by the client, the Bank is bound, in the execution of the order, to comply with the instructions it has received, thus ensuring that the client's will takes precedence over the provisions of its own strategy.

However, the execution of an order following specific client instructions in respect to a part or an aspect of the order does not release the Bank from its best execution obligations in respect of any other part or aspect not covered by such instructions.

1.3. Scope of application

This document has been drawn up for the category of retail and professional clients as defined by MiFID II. The best execution obligation does not apply when Mediobanca is dealing with an eligible counterparty, as defined by MiFID II, and where Mediobanca is exclusively providing dealing services to them.

With reference to dealing on "request for quotes" ("**RFQs**") from the clients, it has to be stressed that the firm is not exempt from its duty to act in the best interest of the client when the client approaches the firm at its own initiative. Mediobanca shall not be required to place the client's interest above the interest of the Bank, unless it is clear from any statement made by the client when requesting the quote that he is expecting these protections. Otherwise this determination shall be made generally for all transactions after taking into account the following four factors².

1. Whether the client initiated the transaction/RFQ or vice versa – this occurrence is verifiable by the communications undertaken;
2. The market practice for the product and the existence of a convention for the client to "shop around" – these elements can be observed by the historical records of the product's negotiations and/or the historical interactions between the Bank and the client;

² See European Commission's Working Document ESC-07-2007.



3. The levels of price transparency within the relevant market, that can be noticed by the levels of the current and historical bid/ask spread and volumes negotiated on the specific venue; and
4. The information provided by Mediobanca to the client about its services and any other existing agreement between Mediobanca and the client that may be relevant.

2 Operating decisions

2.1. Significant best execution factors

Best execution is pursued by the Bank through the implementation of the execution factors, highlighted as significant by the MiFID II Directive, as described in the section 1.2.

2.2. Hierarchy of execution factors

In defining the hierarchy of execution factors for its customers (see 1.2), the Bank has taken into account the best execution criteria indicated in the best execution regulation; being the characteristics of:

- ◆ customers' categorization;
- ◆ customers' orders;
- ◆ financial instruments involved in the order;
- ◆ execution venues to which the order might be directed.

Based on the analysis performed, with the aim to guarantee the highest level of protection to its clients, Mediobanca has customized the hierarchy of factors according to the type of financial instrument involved (fixed income or equity/equity like) and, for equity/equity like instruments, the marketability of the order. This hierarchies attribute always, in any case, maximum priority to the total consideration for the client, deemed as being the price of the financial instrument and the cost of the execution.

2.3. Best execution venues

Orders for financial instruments may be executed at a variety of execution venues. The initial and periodic venues' evaluation and selection is based upon a pragmatic assessment of data that supports the common hierarchy of execution factors. The periodic evaluation is performed on an annual basis, or more frequently if deemed appropriate, reviewing applicable and updated market data.

The execution venues considered by the Bank for the purpose of executing orders received are as follows:



- ◆ **Regulated Markets** (as defined in MiFID II);
- ◆ **Multilateral Trading Facilities (“MTFs”)**(as defined in MiFID II);
- ◆ **Organised Trading Facilities (“OTFs”)**, (as defined in MiFID II);
- ◆ **Systematic Internalisers (“SIs”)**: (as defined in MiFID II)

Mediobanca requires client’s prior express consent to execute any order on the client’s behalf outside a Regulated Market, MTF, OTF or SI (i.e., OTC). This consent is presumed for professional clients by acceptance of Mediobanca’s Terms of Business.

2.4. Selection criteria for execution venues

The execution venues' selection is performed by the Front Office desks, based on a static ranking analysis and on the analysis of the liquidity and price conditions of each execution venue, and approved by the Compliance Unit.

The static ranking analysis - used to establish primary venue selection - uses a wide range of data and a review is performed when the Best Execution policy is approved and reassessed on an annual basis.

The list of the execution venues selected by the Bank is provided in annex A.

2.5. Criteria for selecting brokers

If the Bank receives:

(i) an order on a financial instrument listed on a venue where the Bank does not have direct access through its AOR – “Automated Order Routing system”; or

(ii) an order on a financial instrument listed on a venue where the Bank has direct access through its AOR system, where the amount of the order has a significant size or refers to an illiquid financial instrument or contains specific instructions requiring the use of algorithms not included in Mediobanca's direct access solution;

Mediobanca may use external brokers who are able to guarantee the adoption of an execution strategy consistent with Mediobanca's choices in terms of best execution (e.g., same hierarchy of factors for the instrument involved in the order) and appropriate service levels.

The brokers chosen by Mediobanca are indicated in Mediobanca's approved Brokers List, provided in Annex B.

2.6. Management of orders

Clients' orders are executed or transmitted to brokers promptly and in succession, unless their own characteristics or existing market conditions make this impossible or the clients' interests require proceeding in a different manner.



Clients' orders may be aggregated with those of other client(s) in accordance with Mediobanca's procedures.

3 Model of choice between Automated Order Routing system (AOR) and external brokers

When Mediobanca receives an order on financial instruments listed on execution venues included in the AOR system (venues where Mediobanca has direct membership or venues that its AOR outsourcing system provider access directly), it can decide to either execute the order using the AOR system or, in certain circumstances, to transmit the order to an external broker which might also have access to additional venues not included in the AOR system.

More specifically, Mediobanca may transmit the order to an external broker - even if the financial instrument is listed on a venue included in Mediobanca AOR system - for the following purposes:

- a) execute orders on financial instruments listed on reference markets for which the external broker exceptionally provides lower costs associated with the execution, thus lowering the 'Total Consideration' and, consequently, the trading fees charged to the client by the Bank;
- b) execute orders with specific instructions requiring the use of specific algorithms not included in the Mediobanca AOR system and made available by the selected external broker(s). In this latter case, the execution venues offered by the external broker will comply with the execution strategy chosen by the client ("Reference markets" only, "Lit venues" only or "Dark & Lit" venues).

With reference to the letter (b) above, before transmitting an order to an external broker instead of executing it through its AOR system, in order to determine if the order requires the use of specific algorithms not included in the Mediobanca's AOR system, Mediobanca will consider the nature of the instructions received by the client.

4 AOR operating model

4.1. Rules for routing orders

Mediobanca uses an AOR – “Automated Order Routing system” - to assist in delivering best execution.

4.1.1. Automated Order Routing System (AOR)

Mediobanca has equipped itself with a platform where orders are traded on a best execution basis. The “Automated Order Routing System” platform accesses both Regulated Markets, Multilateral Trading Facilities, Organized Trading Facilities and Systematic



Internalisers. DEA clients³ have the benefit of automatic “static” or “dynamic” best execution mechanisms when they transmit their orders to Mediobanca electronically, because the AOR system automatically applies to their orders. Dynamic best execution focuses on the conditions of accessible markets, and uses an algorithm provided by the AOR outsourcing system provider.

Alternatively, the orders are received by the Front Office staff by electronic means or by phone and entered manually by a Mediobanca trader in the AOR application, in order to achieve the best execution for the order.

Each of the Bank’s DEA clients are authorized to trade on an “*agreed set of markets*” and given types of financial instruments.

4.1.2. Rules for routing orders in the fixed income operating model

When an order is received without any specific instruction with regard to the execution venue, the AOR application checks:

- ◆ whether the financial instrument is traded on one execution venue only. In such case, under the best execution rules the AOR system routes the order directly to such execution venue;
- ◆ whether the financial instrument is traded on more than one execution venue. In such case the AOR system routes the order to the best market. The AOR system for fixed income instruments selects the best execution venue based on the conditions on the execution venues at the time when the order is received (“*dynamic*” best execution).

For trades based on orders involving Fixed Income instruments admitted to trading on a Regulated Markets, MTFs, or OTFs, it has been noted that the domestic Italian Regulated Markets and MTFs directly accessed by the Bank are able to offer competitive trading conditions and high liquidity levels, ensuring coverage of the prevalent spectrum of instruments currently and historically traded by its customer base.

With reference to the aforementioned orders, the Bank may however provide, upon client’s specific instruction or if the order exceeds a quantitative threshold pre determined with the client itself, the possibility to execute the orders carrying out a RFQ workflow with specific counterparties/market makers, either on MTFs or OTC.

The trading desk will then compare the execution’s conditions resulting by the RFQ workflow with the quality of the execution emerging from the dynamic best execution system, and will route the order towards the best option provided.

For orders involving Fixed Income instruments admitted to trading on a Regulated Market, an MTF or an OTF **that the Bank does not directly access**, the trading desk may:

3) DEA clients are those clients who have in place an arrangement with a member, a participant or a client of a trading venue which enables to electronically transmit orders relating to a financial instrument directly to the trading venue, using the trading code of the member, the participant or the client itself.



- Transmit the order for execution to an approved broker that has access to the relevant trading venues;
- Execute the transactions negotiating the orders with other counterparties/market makers;
- Internalize the order on the Bank's own account by applying internal and not discretionary rules and at improved market conditions compared to those offered by other intermediaries for that instrument, if any.

4.1.3. Operating model for equity and equity-like financial instruments: management of the orders on dark/lit venues

The AOR system provides the possibility to execute orders sent by the client on equity and equity-like financial instruments on MTFs which operate under the price reference waiver (Dark Pools).

The clients are given the possibility of choosing whether to use:

- ◆ an execution strategy which enables access to venues that operate under the **reference price waiver** (so called "dark pools") as well as on a systematic basis, unless where instructed otherwise; or alternatively
- ◆ a strategy which uses systematically and exclusively execution venues that guarantee the pre-trade transparency of market conditions and of the order execution's process (so called "Lit venues").

With reference to orders on equity and equity-like instruments listed on markets where the Bank has direct access, the Bank may provide, upon client's specific instruction or if the order exceeds a quantitative threshold pre determined with the client itself, the possibility to execute the orders carrying out a RFQ workflow with specific counterparties/market makers, either on MTFs or OTC.

If professional clients prefer to use the "Lit venues" strategy, they should notify in writing their preference to Mediobanca; in absence of such specific communication, the use of the dark pools as part of their execution strategy is set up by default. The trading platform guarantees automatically the correct application of the best execution strategy according to the client's preferences.



5 Fixed Income Best Execution operating model

5.1. Fixed Income Dynamic Best Execution operating model

The dynamic best execution ("DBE") operating model regards orders for fixed income instruments listed at more than one trading venue ("*multi-listing*").

The selection of the best execution venue for the order is made on the basis of the conditions on the markets at the time when the order is received from the client.

At the time when the client sends an order for fixed income instruments to be managed on a dynamic best execution basis, an assessment of the market conditions is made.

- ◆ *If the order can be executed immediately*, it is executed based on the DBE rationale and a confirmation of the outcome of the trade is sent to client. The order can be executed wholly or partially.
- ◆ *If the order cannot be executed immediately*, it is published on the reference venue. In this case it may become executable at a later stage:
 - a) *If the order is then wholly or partially executed on the same venue on which it has been published (reference venue)*, a confirmation of the outcome of the trade is sent to the client;
 - b) *if the order becomes executable at a later stage on an alternative venue* featured in the Bank's Execution strategy, the shift orders function is activated towards the execution venue offering the best trading terms compatible with the order. Once the order has been shifted to the alternative venue, it may in any case not be executed: in this case it remains published on the reference venue. Alternatively the order can be executed, in full or in part. In this case the sweeping function is deactivated and the remaining share of the order remains published on the venue where partial execution was provided;
 - c) *If the order does not become executable on any venue* within the time limits set by the client, then the client is sent notification that the trade has not been executed.



6 Equity and Equity-like Best Execution operating model

In order to guarantee a high degree of choice and meet the different needs and requirements of its whole and variegated customer base, Mediobanca has adopted 3 different AOR strategies to be deployed when executing clients' orders on equity and equity-like financial instruments, to be selected by each client during the onboarding process:

- Reference market only – Static Best Execution operating model;
- Lit venues only (No Dark Ping) – Dynamic Best Execution operating model;
- Dark & Lit venues (Smart IOI) – Dynamic Best Execution operating model.

6.1. Equity and Equity-like Dynamic Best Execution operating model

The dynamic best execution operating model regards orders for equity and equity-like instruments listed at more than one trading venue ("*multi-listing*").

The selection of the best execution venue for the order is made on the basis of the conditions on the markets at the time when the order is received from the client.

6.1.1. Equity and Equity-like Dynamic Best Execution factors

Marketable orders

If an AOR order is sent during the continuous trading period at market or with a limit that would allow it to be executed based on the current order book, it would be sent to one or more eligible venues as determined by the following factors:

- **Price** – if the order can be executed at a better gross price than the size-weighted average of the opposite top-of-book, it will be sent to one or more eligible venues offering those prices, subject to other factors;
- **Speed** – if two or more eligible venues offer execution at the same gross price, the order will be sent to one or more that are judged to be among the fastest for that security, as determined by periodic assessment of latency data;
- **Likelihood of execution** – if the order requires execution at multiple price levels, it may be split across eligible venues according to where it is judged most likely to execute the greatest quantity, based on visible quantities available and other data;
- **Cost** – if other factors are judged to be equal, the order will be sent to the eligible venue(s) with the lowest cost.

Non-marketable orders

If an AOR order is sent during the continuous trading period, with a limit that would not allow it to be executed based on the current order book, it will be placed with that limit rounded passively to the nearest valid tick size, on a venue as determined by the following factors:

- **Likelihood of execution** – the order will be sent to one or more eligible venues that satisfy defined minimum criteria for expected execution.



- **Speed** – if two or more eligible venues meet the criteria for likelihood of execution, the order will be sent to one or more that are judged to be among the fastest for that security, as determined by periodic assessment of latency data.
- **Cost** – if other factors are judged to be equal, the order will be sent to the eligible venue(s) with the lowest cost.

If a non-marketable order becomes marketable on an eligible venue where it is not posted, it pulls back from its resting venue and follows the logic for marketable orders described above.

If a non-marketable order sees that its primary-listing market has gone into an auction call phase, it pulls back from its resting venue and follows the logic for auction orders described below.

Auction orders

If an AOR order is sent during an auction call phase of its primary-listing market, the order will be sent to that venue. If the order is not fully executed in the auction, it will be treated as a 'non-marketable order' as above.

6.2. Equity and Equity-like Static Best Execution operating model

The static best execution operating model regards orders for equity and equity-like financial instruments listed at more than one trading venue ("*multi-listing*").

The static best execution model is applied if the client involved in the order has not chosen to operate under the Dynamic Best Execution model.

In applying static best execution, the stages of trading of the financial instrument involved in the order are not taken into consideration: the order will be sent to the market whether the financial instrument is at the auction stage or at the continuous trading stage. Any orders rejected/cancelled will be handled directly by the market.



Annexes

Annex A: Approved Execution venues

Execution venue	Region	Type	Access mode	Instrument type
NEW YORK STOCK EXCHANGE, INC.	AMRS	RM	Indirect	Equities/ETF/ETC
NASDAQ - ALL MARKETS	AMRS	RM	Indirect	Equities/ETF/ETC
NYSE MKT LLC – AMEX	AMRS	RM	Indirect	Equities/ETF/ETC
NYSE ARCA	AMRS	RM	Indirect	Equities/ETF/ETC
OTC PINK MARKETPLACE	AMRS	RM	Indirect	Equities/ETF/ETC
OTCBB	AMRS	RM	Indirect	Equities/ETF/ETC
TORONTO STOCK EXCHANGE	AMRS	RM	Indirect	Equities
HONG KONG EXCHANGES AND CLEARING LTD	APAC	RM	Indirect	Equities
TOKYO STOCK EXCHANGE	APAC	RM	Indirect	Equities
NEW ZEALAND EXCHANGE LTD	APAC	RM	Indirect	Equities
ASX - ALL MARKETS	APAC	RM	Indirect	Equities
SINGAPORE EXCHANGE	APAC	RM	Indirect	Equities
BORSA ITALIANA S.P.A. - ELECTRONIC SHARE MARKET	EMEA	RM	Direct	Equities
BORSA ITALIANA S.P.A.- ELECTRONIC ETF, ETC/ETN AND OPEN-END FUNDS MARKET	EMEA	RM	Direct	ETF/ETC
BORSA ITALIANA S.P.A. – ELECTRONIC BOND MARKET (MOT)	EMEA	RM	Direct	Bond
BORSA ITALIANA S.P.A. - EXTRAMOT	EMEA	RM	Direct	Bond
BORSA ITALIANA S.P.A. - EUROTLX	EMEA	MTF	Direct	Bond
XETRA	EMEA	RM	Direct	Equities/ETF/ETC
DEUTSCHE BOERSE AG – Frankfurt	EMEA	RM	Indirect	Equities/ETF/ETC
BOERSE MUENCHEN	EMEA	RM	Indirect	Equities/ETF/ETC
IRISH STOCK EXCHANGE - ALL MARKET	EMEA	RM	Indirect	Equities/ETF/ETC
WIENER BOERSE AG AMTLICHER HANDEL (OFFICIAL MARKET)	EMEA	RM	Indirect	Equities/ETF/ETC
EURONEXT - EURONEXT BRUSSELS	EMEA	RM	Direct	Equities/ETF/ETC
EURONEXT - EURONEXT PARIS	EMEA	RM	Direct	Equities/ETF/ETC
EURONEXT - EURONEXT AMSTERDAM	EMEA	RM	Direct	Equities/ETF/ETC
EURONEXT - EURONEXT LISBON	EMEA	RM	Direct	Equities/ETF/ETC
LONDON STOCK EXCHANGE (including IOB)	EMEA	RM	Indirect	Equities/ETF/ETC
OSLO BORS ASA	EMEA	RM	Indirect	Equities/ETF/ETC
SIX SWISS EXCHANGE	EMEA	RM	Indirect	Equities/ETF/ETC
SIX SWISS EXCHANGE - BLUE CHIPS SEGMENT	EMEA	RM	Indirect	Equities/ETF/ETC
NASDAQ STOCKHOLM AB	EMEA	RM	Indirect	Equities/ETF/ETC



Execution venue	Region	Type	Access mode	Instrument type
NASDAQ HELSINKI LTD	EMEA	RM	Indirect	Equities/ETF/ETC
NASDAQ COPENHAGEN A/S	EMEA	RM	Indirect	Equities/ETF/ETC
MERCADO CONTINUO ESPANOL - CONTINUOUS MARKET (SIBE)	EMEA	RM	Indirect	Equities/ETF/ETC
ATHENS EXCHANGE S.A. CASH MARKET	EMEA	RM	Indirect	Equities
WARSAW STOCK EXCHANGE/EQUITIES/MAIN MARKET	EMEA	RM	Indirect	Equities
CHI-X	EMEA	MTF	Direct	Equities
BLOOMBERG TRADING FACILITY LIMITED MTF	EMEA	MTF	Direct	Bond/ETF/ETC
BATS	EMEA	MTF	Indirect	Equities
TURQUOISE	EMEA	MTF	Indirect	Equities
CITI MATCH	EMEA	MTF	Indirect	Equities
POSITNOW ITG	EMEA	MTF	Indirect	Equities
UBS MTF	EMEA	MTF	Indirect	Equities
BLOCKMATCH MTF	EMEA	MTF	Indirect	Equities
CREDIT SUISSE AES CROSSFINDER ER EUROPE	EMEA	MTF	Indirect	Equities
JPM X	EMEA	MTF	Indirect	Equities
MS POOL ATS	EMEA	MTF	Indirect	Equities
DEUTSCHE BANK SUPER X EU	EMEA	MTF	Indirect	Equities
SIGMA X MTF	EMEA	MTF	Indirect	Equities
CHVX BLINK MTF	EMEA	MTF	Indirect	Equities
DB SUPER X BCN	EMEA	MTF	Indirect	Equities
SEB LIQUIDITY POOL	EMEA	MTF	Indirect	Equities
EUREX	EMEA	RM	Indirect	Derivatives
EURONEXT-MONEP	EMEA	RM	Indirect	Derivatives
EURONEXT-AEX	EMEA	RM	Indirect	Derivatives
EURONEXT-BELFOX	EMEA	RM	Indirect	Derivatives
IDEM	EMEA	RM	Indirect	Derivatives
MEFF	EMEA	RM	Indirect	Derivatives
EURONEXT LIFFE-LTOM	EMEA	RM	Indirect	Derivatives
CBOT	AMRS	RM	Indirect	Derivatives
CME/Globex	AMRS	RM	Indirect	Derivatives
CFE/VIX	AMRS	RM	Indirect	Derivatives
NYSE LIFFE US	AMRS	RM	Indirect	Derivatives
ICE	AMRS	RM	Indirect	Derivatives
CBOE	AMRS	RM	Indirect	Derivatives
OCC	AMRS	RM	Indirect	Derivatives



Execution venue	Region	Type	Access mode	Instrument type
HKFE	APAC	RM	Indirect	Derivatives
TSE	APAC	RM	Indirect	Derivatives
OSE	APAC	RM	Indirect	Derivatives
SGX	APAC	RM	Indirect	Derivatives
ASX	APAC	RM	Indirect	Derivatives



Annex B: Broker List

The brokers are chosen by Mediobanca evaluating inter alia the broker competitiveness of commission rates and spreads, past history in executing orders, clearance and settlement capabilities, access to markets, and perceived creditworthiness, reputation and financial stability.

The brokers list is currently the following:

Broker
Instinet
ITG
Sunrise
Banca IMI
Intermonte
BNP Paribas
