

Order execution on best terms

Summary of analysis of execution quality achieved in 2019

In accordance with Directive 2014/65/EU and the regulations implementing and transposing it (MIFID II), Mediobanca has published the following information on its website:

- i) On 17 February 2020 its updated Order Transmission and Execution Strategy, which defines the measures adopted to obtain the best possible result for its clients orders; and
- ii) On 30 June 2020 the reports on: its top five execution venues by trading volumes at which it executed its clients' orders last year; its five top investment firms by trading volumes to which it transmitted clients' orders last year, and the top five counterparties via which it executed client orders last year through the request for quote (RFQ) system made available by the trading venues.

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This document contains an assessment made by Mediobanca of the quality of the execution achieved at the venues where its clients' orders were executed in 2019, and is to be read in conjunction with the reports referred to above.

1. Execution factors relative to client classification

Mediobanca has followed the importance assigned to the execution factors defined in the Strategy adopted in 2019, namely:

- Price of financial instrument
- Costs of execution
- Speed of execution
- Probability of execution and settlement
- Size of order
- Nature of order
- Other characteristics of the order relevant to its execution

Mediobanca has considered the "total amount" (which consists of the "price" of the instrument and the "cost of execution") to be the principal factor in determining the best result possible in the execution of orders submitted by clients classified as "retail".

The Bank has also considered "speed of execution" and "probability of execution and settlement" as factors which could take priority over the "total consideration" to establish the best result possible in the execution of orders classified as "professional".

For retail clients a dynamic execution strategy has been adopted which entails systematic and exclusive access to execution venues that guarantee pre-trade transparency, except for those retail clients that have expressly requested a static execution strategy to be applied.

For professional clients, a dynamic execution strategy has been adopted which entails access also to execution venues which operate in exemption to pre-trade transparency obligations (i.e. "reference price waiver"), except for those clients that have expressly requested a dynamic execution strategy to be applied that entails systematic and exclusive access to execution venues that guarantee pre-trade transparency.

30 June 2020

For each of the classes of financial instruments traded in 2019, the orders were executed and/or transmitted in accordance with the criteria set in the Strategy implemented by the Bank in the course of the year.

2. Conflicts of interest

Mediobanca does not have any close links or cross-ownership arrangements with the execution venues which it used in 2019 to execute its clients' orders, nor has it entered into any specific agreements with such venues regarding payments made or received, or regarding discounts, reductions or non-monetary benefits obtained outside of the standard terms and conditions. Mediobanca pays the brokers selected by it the commissions finalized with them and does not accept incentives from such brokers.

The roles played by Mediobanca on the various markets where its clients' orders were executed in 2019 are also shown below:

- EUROTLX: market maker in debt instruments (bonds) and liquidity provider in certificates and credit certificates;
- MOT, Borsa Italiana: liquidity provider in equity linked notes and specialist in debt instruments;
- IDEM, Borsa Italiana: market maker in equity derivative instruments (options on shares);
- MTA, Borsa Italiana: liquidity provider and specialist in shares;
- EUREX: market maker in equity derivative instruments.

3. Order transmission and execution strategy

Mediobanca made changes to its Order Execution and Transmission Strategy during 2019, to allow access to systematic internalizers as well (at the client's specific request), and providing more information on OTC trading and controls. The list of execution venues and brokers was also updated.

The Bank revised its Order Execution and Transmission Strategy most recently in February 2020, in order to clarify: i) the conditions in which, when they occur, the Bank may trade the clients' orders in listed instruments outside the trading venue; ii) for the Corporate & Investment Banking division's interconnected clients, when the Bank considers such orders as having been issued under specific instruction; and in order to iii) update the attachments on the execution venues and brokers.

4. Summary of leading trading venues, by class of financial instrument (2019)

The leading trading venue at which the Bank executed its clients' orders via direct access (by class of instrument) in 2019 is shown below. The venue shown below is the one which ranked first by trading volumes for client orders.

30 June 2020

i) Equity financial instruments – shares and certificates

➤ MTA Borsa Italiana S.p.A. (both for clients classified as retail and professional)

ii) Debt instruments – bonds

➤ MOT (both for clients classified as retail and professional)

iii) Debt instruments – money market instruments

➤ EuroTLX (for clients classified as retail)

➤ MOT (for clients classified as professional)

iv) Structured financial instruments

➤ Sedex (both for clients classified as retail and professional)

v) Securitized derivative financial instruments – warrants and derivatives in the form of certificates

➤ Sedex (for clients classified as retail)

➤ MTA, Borsa Italiana S.p.A. (for clients classified as professional)

vi) Securitized derivative financial instruments – other securitized derivatives

➤ Sedex (for clients classified as retail)

➤ MTA, Borsa Italiana S.p.A. (for clients classified as professional)

vii) Listed indexed products (ETF funds, ETN notes, ETC commodities)

➤ ETF Plus, Borsa Italiana S.p.A. (both for clients classified as retail and professional)

5. Explanation of the means by which the Bank has used data published by the execution according to Commission Delegated Regulation (EU) 2017/575 in order to revise the Strategy

For the debt instrument class (bonds), for which Mediobanca applies an internal dynamic best execution model: Mediobanca, in order to assess the quality of execution at the venues where it executed the clients' orders, has developed synthetic indicators of price, probability and speed of execution, and based on the indicators compiled, has defined a ranking for the principal venues at which the ISIN codes for which the Bank executed client orders during the year were traded. The analysis performed has confirmed the quality of the venues which the Bank has included in its Strategy.

For the equity/equity-like class, for which Mediobanca uses the authorized broker's dynamic best execution model, Mediobanca has conducted qualitative/quantitative analysis of the quality of the orders executed through the leading broker used (Instinet). In particular, Instinet was asked to provide details of the functioning mechanisms of its order execution model, the specifications of its methodology for revising the execution Strategy, and the results of the venue review process. The analysis performed has confirmed overall the effectiveness of the execution quality achieved by Instinet.

6. Order execution using a trading venue's request for quote (RFQ) system

In 2019 Mediobanca also executed client orders using the Bloomberg MTF request for quote (RFQ) system with the five leading counterparties stated in the relevant report, broken down by classes of financial instruments and client classification.

Mediobanca does not have close links or conflicts of interest with any of the parties included in this report and listed below. In the normal course of the exercise of its business, Mediobanca may have provided, or may provide, principal and/or accessory investment services to these counterparties and/or hold positions in instruments issued by them.

- ✓ BARCLAYS BANK PLC - G5GSEF7VJP5I7OUK5573
- ✓ BANCO BILBAO VIZCAYA ARGENTARIA SOCIEDAD ANONIMA - K8MS7FD7N5Z2WQ51AZ71
- ✓ BNP PARIBAS SA - R0MUWSFPU8MPRO8K5P83
- ✓ COMMERZBANK Aktienesellschaft - 851WYGNLUQLFZBSYGB56
- ✓ CITIGROUP GLOBAL MARKETS LIMITED - XKZZ2JZF41MRHTR1V493
- ✓ CREDIT SUISSE SECURITIES (EUROPE) LIMITED - DL6FFRRLF74S01HE2M14
- ✓ Flow Traders B.V. - 549300CLJI9XDH12XV51
- ✓ BANCA IMI S.P.A - QV4Q8OGJ7OA6PA8SCM14
- ✓ JANE STREET FINANCIAL LIMITED - 549300ZHEHX8M31RP142
- ✓ J.P. Morgan AG - 549300ZK53CNGEEI6A29
- ✓ MERRILL LYNCH INTERNATIONAL - GGDZP1UYGU9STUHRDP48
- ✓ Mediobanca Banca di Credito Finanziario - PSNL19R2RXX5U3QWHI44
- ✓ MORGAN STANLEY BANK INTERNATIONAL LIMITED - Z06S12H6N9QRJ8HHN626
- ✓ Morgan Stanley Europe SE - 54930056FHWP7GIWYY08
- ✓ Nomura International PLC - DGQCSV2PHVF7I2743539
- ✓ ODDO BHF SCA - 9695002I9DJHZ3449O66
- ✓ Optiver V.O.F. - 7245009KRY SAYB2QCC29
- ✓ Susquehanna International Securities Limited - 635400IAV22ZOU1NFS89
- ✓ SOCIETE GENERALE - O2RNE8IBXP4R0TD8PU41
- ✓ THE TORONTO-DOMINION BANK - PT3QB789TSUIDF371261
- ✓ UBS AG - BFM8T61CT2L1QCEMIK50
- ✓ UniCredit Bank AG - 2ZCNRR8UK83OBTEK2170
- ✓ UBS Europe SE - 5299007QVIQ7IO64NX37