

## INFORMATION ON DBS' EXECUTION POLICY FOR PROFESSIONAL CLIENTS

### 1. INTRODUCTION

1.1. Under the EU MiFID II Directive (2014/65/EU) ('**MiFID**')<sup>1</sup> and the rules of the Financial Conduct Authority ('**FCA**')<sup>2</sup> which implement MiFID, we are required to put in place an order execution policy ('**Execution Policy**') and to take all *sufficient* steps to obtain the best possible result for our clients (henceforth referred to as '**client**', '**you**' or '**your**') when executing orders on your behalf or placing your orders with, or passing your orders to, others for execution<sup>3</sup>. This overarching obligation to obtain the best possible result for you is referred to, in this document, as our obligation of best execution.

1.2. This document sets out our Execution Policy and our approach to providing best execution.

### 2. SCOPE OF APPLICATION OF BEST EXECUTION

2.1. This document applies only to clients classified by us as Professional Clients<sup>4</sup> and only to dealings in Financial Instruments<sup>5</sup> (as defined in MiFID). Best execution is generally owed when we accept an order to execute a transaction on your behalf, or place your order with, or pass your order to, others for execution or in other circumstances where we have otherwise expressly agreed to accept such best execution obligation.

2.2. The best execution obligation is applicable when we are acting in a principal capacity and you are placing a *legitimate reliance* on us to protect your interest in relation to the execution of a transaction<sup>6</sup>. In order to determine whether you are placing legitimate reliance on us, we will take into account the four considerations set out in the European Commission's letter<sup>7</sup>, namely:

- Which party initiated the transaction – Where you initiate the transaction, it is less likely that you are placing legitimate reliance on us. In circumstances where we may communicate trade ideas, market communications or indicative prices as part of our general business, we regard these communications as purely for information purposes and do not believe that such communications will be deemed to have initiated the transaction.
- Questions of market practice and the existence of a convention for clients to “shop around” – Where market practice for a particular asset class or product suggests that you will have ready access to various providers who may provide quotes and you have the ability to shop around, it is less likely that you will be placing legitimate reliance

<sup>1</sup> Article 27

<sup>2</sup> Proposed rule to be in COBS 11.2A (see FCA CP16/29)

<sup>3</sup> COBS 11.2A.4(1)

<sup>4</sup> COBS 3.5 (As a policy, we do not conduct business with Retail Clients; hence this document applies only to Professional Clients.)

<sup>5</sup> Annex 1, Section C of MIFID II

<sup>6</sup> EC letter dated 19 March 2007 (Best execution – scope issues under Mifid and the implementing directive), Commission response, paragraph 8

<sup>7</sup> EC letter dated 19 March 2007 (Best execution – scope issues under MIFID and the implementing directive)

on us. For example, in the wholesale OTC derivatives and bond markets, buyers conventionally “shop around” by approaching several dealers for a quote and, in these circumstances, there is no expectation between the parties that the dealer chosen by the client will owe best execution. In general, this is how we consider the majority of transactions with sophisticated, professional clients would be executed.

- The relative levels of transparency within a market – In circumstances where pricing information is transparent and it is reasonable that you have access to such information, it is less likely that you will be placing legitimate reliance on us.
- The information provided by you and any agreement reached – Where any agreements or arrangements with you (including the provisions within our Execution Policy) do not indicate or suggest that an understanding has been reached that you will place any legitimate reliance on us or we have agreed to provide best execution.

### 3. SPECIFIC INSTRUCTIONS

- 3.1 Where you give us a specific instruction in relation to an order, we will follow that instruction so far as is reasonably possible when executing the trade. By following your specific instruction, we will have satisfied the obligation to provide you with best execution in relation to that transaction. Examples of such instructions may include, but are not limited to, requests to execute on a particular venue or to execute an order over a particular timeframe.
- 3.2 In circumstances where you give us a specific instruction which covers one part or aspect of an order, we will have satisfied the obligation to provide you with best execution in relation to the relevant part of the transaction to which the specific instruction applied. The remaining portion of that order not covered by such specific instruction may still be applicable for best execution in accordance with the criteria set out in our Execution Policy.
- 3.3 We draw your attention to the fact that any specific instructions from you may prevent us from taking the steps that we have designed and implemented in this document to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions<sup>8</sup>.

### 4. APPLICATION OF EXECUTION FACTORS

- 4.1 When executing orders on your behalf, we will give consideration to a range of execution factors when determining how to obtain the best possible result for you. Some of the below factors are considered to be more important than others; however, there are situations where the relative importance of these factors may change in accordance with instructions that you provide or broader market conditions.

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<sup>8</sup> Article 66(3)(f) of the MiFID Org Regulation

#### 4.2 The execution factors<sup>9</sup> that we consider are:

- (i) Price – This is the price at which the order is executed.
- (ii) Costs – This includes implicit costs such as the possible market impact, explicit external costs, e.g. exchange or clearing fees and explicit internal costs which represent our own remuneration through commission or spread.
- (iii) Size – The size and nature of the order may affect the price of execution.
- (iv) Speed – The time it takes to execute your order.
- (v) Likelihood of execution and settlement – The likelihood that we will be able to complete your order.
- (vi) Nature of the order and any other consideration relevant to the execution of the order – This may include, for example, the particular characteristics of your order which can affect how best execution is received.

The above execution factors indicate the importance of being able to exercise the appropriate judgment in the best interests of the client given the differing needs and requirements of each client transaction and the broader market. Set out in Appendix I are the types of products that we trade and how we prioritise the above execution factors to each type of product.

#### 4.3 When determining the relative importance of each execution factor, we will take into account the following in the context of market<sup>10</sup>:

- (i) the characteristics of the client, including the categorization of the client as retail or professional;
- (ii) the characteristics of the order;
- (iii) the characteristics of the Financial Instruments that are the subject of the order; and
- (iv) the characteristics of the execution venues or entities to which the order can be directed.

Generally, we consider that the most important execution factor for our Professional Clients is the price at which the transaction in the relevant Financial Instrument is executed. However, there may be circumstances where the primary execution factors may vary and price is no longer the dominant execution factor; for example, for transactions in illiquid securities, the likelihood of execution and settlement become more important. During the process when applying consideration to each execution factor, we will use our experience and expertise to achieve the best balance across the full range of factors. This may mean that we do not always achieve the best price for every client transaction, but the best result that can be reasonably expected given the information available during the execution process. It should, however, be noted that when undertaking a transaction, any specific execution factors specified by you will always be paramount in ensuring best execution is provided.

#### 4.4 Our commitment to provide you with best execution does not mean that we owe you any fiduciary or other duties over and above the specific regulatory obligations placed upon us.

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<sup>9</sup> COBS 11.2A.4(2)

<sup>10</sup> COBS 11.2A.8; CESR/07-320 Best execution under MiFID Q&As, Q10

## 5. EXECUTION VENUES

- 5.1 All business we transact in Financial Instruments are traded on a principal basis (including as a riskless principal), therefore, you will be dealing with either us or one of our other offices or affiliates. As such, the execution venues we use are generally to clear our own market risk.
- 5.2 In selecting an execution venue to clear our own market risk or to execute your order where we act / trade as riskless principal, we will take into account the execution factors listed in section 4.2, including (without limitation) information published by execution venues on their execution quality in order to obtain on a consistent basis the best possible result. We may use one or more of the following venue types to clear our own market risk when acting as principal or when executing your order as riskless principal:
- (i) Regulated markets
  - (ii) Other exchanges
  - (iii) Multilateral trading facilities
  - (iv) Organised trading facilities
  - (v) Systematic internalisers
  - (vi) Our other offices and affiliates trading desks' principal positions
  - (vii) Third party investment firms, such as market makers and liquidity providers<sup>11</sup>
- 5.2 The selected execution venues listed in the Appendix II for each product type will be assessed on a regular basis. We will not structure or charge our commission in such a way as to discriminate unfairly between the other execution venues.

## 6. MONITORING AND REVIEW

- 6.1 We will monitor the effectiveness of our Execution Policy and arrangements to identify and, where appropriate, correct any deficiencies.
- 6.2 We will assess whether the entities (including our other offices and affiliates) to which we transmit orders for execution provide the best possible result for you on a consistent basis.
- 6.3 We will carry out the reviews and assessments of our Execution Policy and arrangements at least annually or whenever a material change occurs that affects our ability to obtain the best possible result for the execution of your orders on a consistent basis using the venues and entities included in our Execution Policy. We will notify you of any material changes to our Execution Policy.

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<sup>11</sup> COBS 11.2A.8

## APPENDIX I

### FX DERIVATIVES

We consider that best execution does not generally apply to transactions in FX derivatives, such as FX options, forwards (physical and non-deliverable) and swaps because these transactions will generally have the characteristics described in “Other Financial Instruments below”.

It is, however, possible that, in relation to individual transactions, some of the characteristics may be absent. In particular, we may, from time to time, agree to take orders in FX NDFs, forwards and swaps and we will owe best execution in these transactions. When best execution is owed, the ranking of the execution factors should typically be as follows:

1. Price
2. Size and Speed are given an equal ranking

The remaining execution factors, i.e. likelihood of execution and settlement, costs, nature of the order and other considerations relevant to the efficient execution of your order are generally given equal ranking.

The above ranking may change in more illiquid markets such that the likelihood of execution and settlement may be elevated to a higher ranking.

Where your orders for FX NDFs, forwards and swaps include specific instructions as to how you require the trades to be executed, this will limit our duty of best execution to those matters which are not covered by your specific instructions.

### OTHER FINANCIAL INSTRUMENTS

We consider that best execution does not generally apply to transactions in other Financial Instruments, such as Interest Rate Derivatives, Fixed Income and Commodity Derivatives. This is because the transactions have the following characteristics:

- (i) You approach and request us to provide you with a quote (request for quote business).
- (ii) You have ready access to a number of different dealers to provide you with quotes, i.e. the ability to shop around and we are in competition with those other dealers.
- (iii) You have transparency of the prices at which transactions can be effected in the market.

As a result, you are not placing a legitimate reliance on us to protect your interest in relation to the execution of the transaction.

### FX CONVERSION RELATING TO TRANSACTIONS IN FINANCIAL INSTRUMENTS

We will generally execute a currency conversion in house unless and until you specify otherwise. We will treat the cost of the FX conversion as being part of the overall cost of the trade. No separate obligation of best execution is owed on the FX conversion. We are, however, subject to a regulatory obligation to treat you fairly as well as to manage any conflict of interest to which we may be subject.

## APPENDIX II

### LIST OF EXECUTION VENUES

#### Rates

Reuters	ICAP	Eurex
EBS	Tulleys	ICE
Bloomberg	GFI	SGX
	BGC	CME
	Tradition	
	Harlow	
	Martins	

#### FX

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	Tulleys
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