

# Sydbank's Execution Policy

## 1. Summary

Sydbank has a statutory obligation to take all sufficient steps to obtain the best possible results for its clients when executing orders for financial instruments – the so-called best execution obligation.

This execution policy sets out the principles according to which Sydbank executes client orders for financial instruments as well as the steps taken to obtain the best possible results for its clients.

Best execution factors include the price of the financial instrument, costs related to order execution and the likelihood of execution (see also "Best execution").

For retail clients the best possible result is determined on the basis of the total consideration, ie the price of the financial instrument and the costs incurred by the client in connection with order execution including execution venue fees, clearing and settlement fees.

The policy includes an explanation of the significance of the individual best execution factors as well as information about the different execution venues in which the Bank executes client orders and factors influencing the Bank's choice of execution venues.

Clients may place orders with **specific instructions** regarding Sydbank's order execution, eg choice of execution venues. Specific instructions from a client take precedence over Sydbank's order execution according to this policy and as a result Sydbank may be limited in or prevented from obtaining the best possible results for its clients ("Best execution") when executing the order.

When executing client orders Sydbank can choose execution outside a marketplace – so-called OTC (over the counter) transactions. In OTC transactions the Bank executes the client's order with another trading venue (a broker or order routing) or with Sydbank itself as the counterparty, eg in connection with an immediate transaction. In both cases Sydbank is the counterparty in the transaction with the client.

## 2. Scope

Clients may be classified according to the following three categories:

- Eligible counterparties (banks, pension funds, insurers etc)
- Professional clients (typically large corporate clients)
- Retail clients (all other clients).

This policy applies to retail clients and professional clients. Eligible counterparties are not covered by the policy.

However the execution policy applies to eligible counterparties as well when they act as clients.

Moreover, as far as all clients are concerned, Sydbank is obliged to act honestly, fairly and professionally in connection with order execution.

Pursuant to the Danish Financial Business Act, the policy applies to financial instruments as stated below where Sydbank receives and transmits orders on behalf of clients. The policy also applies to portfolio management on behalf of clients (see Appendix 8).

The appendices (1-7) contain more instrument specific issues supplementing the general principles of this policy in connection with the execution of client orders. The appendices cover the following instruments:

- Equities and equity-like financial instruments
- Collective investment undertakings (UCITS, AIF), ETF
- Bonds
- Money market instruments
- Exchange-traded derivatives
- Interest rate derivatives
- Currency derivatives
- Repos

## 3. Best execution

Sydbank takes all sufficient steps to obtain the best possible result for its clients when executing orders (best execution).

In order to obtain best execution, Sydbank takes into account the following factors:

- Price
- Costs associated with order execution and settlement
- Speed
- Likelihood of execution of order
- Likelihood of settlement of order
- Nature and size of order
- Characteristics of execution venues
- Characteristics of financial instrument

In connection with Sydbank's order execution, the best possible result is determined on the basis of the total consideration, which is the price of the financial instrument and the total costs associated with order execution and settlement of the transaction.

Dependent on order size (large orders) the speed and likelihood of order execution may affect how the order is handled.

Where unusual market or settlement circumstances prevail the characteristics of the execution venues and the financial instrument are taken into account.

Sydbank aims to ensure, but cannot always guarantee, best execution in connection with individual orders including execution of the order at the best obtainable price at the given time.

#### 4. Specific client instructions

If clients place an order which includes specific instructions, Sydbank will execute the order according to these instructions, for instance an interest in executing the order in several tranches. Client instructions take precedence over order execution according to this policy, which may mean that Sydbank's possibility of obtaining best execution is limited or prevented. As a result clients may not obtain the best achievable price regarding the financial instrument or the total consideration for executing the order may be higher.

#### 5. Order execution

Sydbank chooses the trading method which is believed to give the client the best result (best execution) unless the client has given the Bank specific instructions in connection with placing the order.

Sydbank may choose to execute an order at an execution venue used by Sydbank (see below) including outside a marketplace. An order can also be executed with Sydbank as the counterparty, eg in connection with an immediate transaction, or by Sydbank executing the order with another securities dealer (broker), possibly by way of order routing.

Orders are executed quickly, fairly and professionally in the sequence received.

Limited orders which cannot be executed immediately will be forwarded for execution on a regulated market or an MTF (multilateral trading facility).

If an order cannot be executed in a regulated market or an MTF there is a greater risk that the trade cannot be settled because the counterparty does not comply with its obligations regarding settlement of the trade.

Orders may be executed individually or, if Sydbank finds it expedient, in aggregation with other orders, see "Aggregation and allocation of orders".

Aggregation of client orders into a larger order with a view to later allocation of settlement will typically take place in connection with unusual market or settlement conditions or one-off market events. This will for instance be the case where Sydbank believes that it is expedient to ensure fair execution and settlement of orders among the Bank's clients.

#### 6. Placement of orders, order types and trading methods

Generally orders may be placed with Sydbank according to Sydbank's Terms and Conditions of Securities Trading, which are available at <https://www.sydbank.dk/omsydbank/investering>.

Sydbank is not obliged to execute an order which has not been placed by the client in accordance with Sydbank's Terms and Conditions of Securities Trading or if – in Sydbank's opinion – it is not possible to execute such order under the law or if the execution of such order may damage the integrity of financial markets.

#### 7. Execution venues

As regards the above securities and other financial instruments, Sydbank has selected a number of execution venues that Sydbank considers to be reliable in connection with achieving best execution.

An execution venue is defined as a marketplace, a systematic internaliser, market makers and liquidity providers. A marketplace is a regulated market (eg Nasdaq OMX Copenhagen), a multilateral trading facility (MTF) or an organised trading facility (OTF).

Regulated markets must have systems ensuring that transactions executed in their trading systems are settled in an efficient and timely manner. An MTF must have rules imposing obligations on participants to settle trades and ensure efficient settlement of transactions executed in the trading system. This gives the client extra assurance that the trade will be settled.

Sydbank's execution venues are available under "Priser og vilkår" at <https://www.sydbank.dk/omsydbank/investering>.

When selecting new execution venues, Sydbank may in special circumstances use execution venues not included in the list. Moreover Sydbank may place clients' orders outside a regulated market if order execution considerations so dictate.

On an annual basis the Bank publishes on its website a list of the most important execution venues (in terms of turnover volume) for each class of financial instruments.

The latest published list can be seen under "Hent Sydbanks Best Execution Rapport" here:

<https://www.sydbank.dk/omsydbank/investering>.

#### 8. Choice of execution venues

The choice of execution venues is based on where best execution is most likely to be achieved on a continuous basis.

In practice the choice of execution venues is made for classes of financial instruments to obtain the best trade. There may be isolated cases in which the best price is not achieved despite the fact that handling is in compliance with the principles of this policy.

The choice takes into account the execution venues available in the market as regards the individual classes of financial instruments.

Primary criteria in the choice of execution venues include the possibility of achieving the best price including costs and the likelihood of executing the order. This choice is based on an assessment of the liquidity/negotiability of the financial instruments at the execution venues as Sydbank assesses that effective pricing affords the best possibility of achieving the best price and the greatest likelihood of order execution. Moreover the size of costs at the individual execution venues is assessed.

Some execution venues offer a routing function which allows for settlement at other execution venues if the price is better there. Sydbank takes this factor into account when determining to which execution venues direct access is established.

In some markets/classes of securities Sydbank uses business partners to execute orders provided they are executed according to the best execution requirement.

See also the appendix concerning instrument specific criteria for the choice of execution venues.

## 9. SI – Systematic Internaliser

Sydbank is a systematic internaliser (SI) as regards a number of financial instruments in which Sydbank deals on own account on an organised, frequent, systematic and substantial basis by executing client orders outside a marketplace.

Typically Sydbank is a systematic internaliser as regards the shares, bonds and other securities for which the Bank quotes prices on a regular basis.

As a SI Sydbank has special obligations as regards quoting prices and making quotes public. The prices quoted by Sydbank must reflect prevailing market conditions and the terms and conditions must ensure that Sydbank's clients trade on equal terms.

The obligation applies to quotes as regards the respective financial instruments up to a certain order size.

## 10. Aggregation and allocation of orders

In accordance with common practice, aggregation of several client orders may occur before Sydbank places the order in the market. Such orders are settled together at an average price meaning that settlement to clients is at the same price. It is Sydbank's general assessment that this form of order execution is overall advantageous for clients, however in a few cases it may work to the disadvantage of the individual client if for instance the order is only partially executed, the price is worse or the speed of order execution is reduced.

The total order is settled at an average price for all aggregated orders. If the aggregated order is only partially executed the volume of orders of individual clients will be settled proportionally at the average price.

Sydbank will notify clients of any aggregation of orders in connection with order placement.

As regards orders in derivatives such as swaps, futures and options, forward exchange transactions etc, clients will not be notified of any aggregation in connection with order placement.

## 11. Settlement of transactions

The client must ensure that there are sufficient funds in the account to cover transactions in financial instruments at the time of settlement with a view to ensuring timely and correct settlement of transactions. The client must provide the Bank with the necessary transaction settlement information.

Sydbank settles the client's financial instrument transactions at the Bank to and from the client's custody account on behalf of the client without any prior contact with the client.

Settlement of the client's other transactions, eg the client's transactions with a third party or transactions which are to be settled against the client's custody account with another bank, is subject to the Bank's prior consent or subject to agreement with the Bank.

"Other transactions" are settled in accordance with the client's instructions/authorisation and are subject to the client having provided the Bank in a timely manner with the necessary transaction settlement information, including the information specified in Article 2 (professional clients) as well as Article 5 (retail clients) of Commission Delegated Regulation (EU) 2018/1229 ("Delegated Regulation") of Regulation (EU) No 909/2014 of the European Parliament and of the Council on improving securities settlement in the European Union and on central securities depositories ("CSDR").

### Unsettled transactions (penalties)

Financial instrument transactions that are settled by a central securities depository (CSD) and that are not settled in a timely or correct manner are subject to penalties until the time when the transaction is finally settled as stated in Articles 16 and 17 of the Delegated Regulation.

Penalties are calculated by the relevant central securities depository (CSD) and are charged to the failing participant. Penalties are payable to participants affected by the settlement fail.

The Bank reserves the right to pass on and charge the client any penalties as imposed on the Bank by a central securities depository (CSD) or a party in the settlement chain as regards the client's transactions that are not settled in a timely or correct manner and that are due to the client's circumstances.

## 12. Monitoring and checks

Order execution is monitored and checked on an ongoing basis.

If the check shows that Sydbank does not consistently meet the best execution obligation, Sydbank will reconsider its current policy including execution schedules and choice of execution venues.

Furthermore reference is made to the description of pre-trade procedures in the appendices under the specific instrument types.

## 13. Changes to the execution policy

The Bank's execution policy in force from time to time is available at sydbank.dk.

Clients with an existing customer relationship with Sydbank and with access to trading financial instruments will be notified of material changes to the execution policy.

## 14. Appendices

Appendices 1-7 Order execution, types of instruments

Appendix 8 Portfolio management

## Appendix 1: Equities and equity-like financial instruments and collective investment undertakings (UCITS, AIF), ETF

Supplementary information to general description

### Instruments

- Shares
- Depositary receipts
- Warrants and certificates
- Danish collective investment undertakings
- Foreign collective investment undertakings UCITS
- Danish AIFs and capital funds
- Foreign AIFs
- ETFs

### Order placement

Orders for shares may be placed with Sydbank at the market price, at the limit price and as an immediate transaction – see details in Sydbank's Terms and Conditions of Securities Trading.

Orders may be placed with Sydbank through an account manager, via e-banking solutions (eg Sydbank Netbank) or by phone.

### Other instrument specific issues

Orders are executed as

- Trades on a regulated market (stock exchange trading), a multilateral trading facility (MTF) or with a counterparty which is a systematic internaliser
- OTC transactions – transactions outside a marketplace either with the Bank as the counterparty (eg an immediate transaction) or by Sydbank executing the transaction with another execution venue
- Immediate transactions – see the general description, SI and the following.

Sydbank has internal procedures for processing client orders to obtain best execution. If the client order meets specific requirements the order is routed to marketplaces or securities dealers used by Sydbank for order execution. Alternatively, for instance in case of a lack of liquidity in the relevant instrument, the order is handled manually.

Sydbank monitors the conditions for internal order management procedures on an ongoing basis.

### Supplementary client segmenting

In principle client segmenting has no influence on the Bank's method of seeking best execution. In some instances order sizes may change the method of handling, eg trading in tranches or by means of an execution algorithm (electronic instruction in specific systematic trading).

### SI (Systematic Internaliser)

Sydbank's immediate transaction prices take into account marketplace circumstances thus ensuring that prices meet the best execution obligation. The prices also form the basis for requests for quotes (RFQ) from clients over the phone.

## Appendix 2: Bonds

Supplementary information to general description

### Instruments

- Government bonds
- Mortgage bonds
- Corporate bonds

### Order placement

When clients place bond orders with Sydbank, the Bank trades the bonds against its own books, ie with Sydbank as the counterparty. Sydbank may however choose to route a market order to a marketplace if it is Sydbank's assessment that this will provide the client with the best result.

In the case of certain products and trade volumes, Sydbank offers immediate transactions via Sydbank's electronic trading solutions.

Orders may be placed via miscellaneous electronic systems such as RFQ, chat or immediate transactions. Moreover orders may be placed over the phone.

### Criteria and procedures to ensure best execution

The most important factor in terms of best execution when trading with bonds is price. If the bond is illiquid and there are no available observable prices in the marketplace the importance of internal models in the pricing of bonds increases. Internal models factor in yield curves, correlations, volatility etc to ensure the best possible determination of settlement prices.

### SI (Systematic Internaliser)

Sydbank's immediate transaction prices take into account market prices thus ensuring that the best execution obligation is met.

### **Appendix 3: Money market instruments**

Supplementary information to general description

#### **Instruments**

- Treasury bills

#### **Order placement**

Reference is made to the description in Appendix 2  
– bonds.

#### **Criteria and procedures to ensure best execution**

Reference is made to the description in Appendix 2  
– bonds.

#### **Appendix 4: Exchange-traded derivatives**

Supplementary information to general description

##### **Instruments**

- Equity options and futures
- Bond options and futures

##### **Order placement**

Orders for equity options and futures with Sydbank may be placed at the market price or limit price – see details in Sydbank's Terms and Conditions of Securities Trading.

Orders may be placed with Sydbank through an account manager or by phone.

##### **Other instrument specific issues**

Orders are executed as trades on a regulated market, a multilateral trading facility or with a counterparty which is a systematic internaliser.

##### **Supplementary client segmenting**

In principle client segmenting has no influence on the Bank's method of seeking best execution. In some instances order sizes may change the method of handling.

##### **SI (Systematic Internaliser)**

Sydbank is not a SI as regards exchange-traded derivatives.

## Appendix 5: Interest rate derivatives

Supplementary information to general description

### Instruments

- Interest rate swaps (IRS)
- Interest rate forward contracts (OTC)
- Interest rate options (OTC)
- Forward rate agreements (FRAs)

### Order placement

Interest rate derivatives are traded by accepting a price quoted by Sydbank or by placing an order with Sydbank without having received a quote in advance.

The Money Market and Foreign Exchange Department makes an individual assessment of all orders. Interest rate derivatives traded with Sydbank are always executed with Sydbank as the counterparty. This means that Sydbank trades on own account and the client always trades directly with Sydbank.

### Criteria and procedures to ensure best execution

The most important factor in terms of best execution when trading with interest rate derivatives is price.

The interest rate derivatives market is characterised by varying degrees of liquidity as some derivatives are very liquid whereas others are less liquid.

Interest rate derivatives are priced predominantly on the basis of the following factors:

- Available prices (bid and offer prices) in marketplaces for identical or similar instruments
- Yield curves, interest rate volatility, yield spreads and bid/offer spreads and possible covariation
- Market liquidity and depth
- Order size and type
- Regulatory issues influencing pricing

It is thus mainly the uncertainty surrounding future interest rate developments and market liquidity that determines the price of interest rate derivatives.

As regards liquid interest rate derivatives Sydbank bases its prices in particular on available bid and offer prices in marketplaces.

The less liquid interest rate derivatives are, the more Sydbank bases its pricing on the factors described above and Sydbank's internal models for pricing. Sydbank's models are based on market data which Sydbank considers relevant and reliable and if necessary they are cross-checked with Sydbank's own input to ensure what Sydbank believes to be a fair market price. The models are adjusted in terms of volatility and liquidity levels in the relevant fixed income market.



## Appendix 6: Currency derivatives

Supplementary information to general description

### Instruments

- Deliverable/non-deliverable currency forward contracts
- Currency swaps
- Currency options

### Order placement

Currency derivatives are traded by accepting a price quoted by Sydbank or by placing an order with Sydbank without having received a quote in advance. The Money Market and Foreign Exchange Department makes an individual assessment of all orders. Currency derivatives traded with Sydbank are always executed with Sydbank as the counterparty. This means that Sydbank trades on own account and the client always trades directly with Sydbank.

As regards liquid currency derivatives Sydbank bases its prices in particular on available bid and offer prices in marketplaces.

The less liquid currency derivatives are, the more Sydbank bases its pricing on the factors described above and Sydbank's internal models for pricing. Sydbank's models are based on market data which Sydbank considers relevant and reliable and if necessary they are cross-checked with Sydbank's own input to ensure what Sydbank believes to be a fair market price. The models are adjusted in terms of volatility and liquidity levels in the relevant currency market.

### Criteria and procedures to ensure best execution

The most important factor in terms of best execution when trading with currency derivatives is price. The currency derivatives market is characterised by varying degrees of liquidity as some derivatives are very liquid whereas others are less liquid.

Currency derivatives are priced predominantly on the basis of the following factors:

- Available prices (bid and offer prices) in marketplaces for identical or similar instruments
- Currency baskets, foreign exchange volatility, yield spreads and bid/offer spreads and possible covariation
- Market liquidity and depth
- Order size and type
- Regulatory issues influencing pricing

It is thus mainly the uncertainty surrounding future foreign exchange rate developments and market liquidity that determines the price of currency derivatives.

## **Appendix 7: Repo transactions**

Supplementary information to general description

### **Instruments**

- Repos

### **Order/transaction types**

Repo transactions are concluded by accepting a price quoted by Sydbank.

### **Order placement**

Orders for repo transactions may be placed with Sydbank via mail, phone or chat functions.

### **Criteria and procedures to ensure best execution**

All repo transactions are traded OTC with Sydbank and consequently price is the only relevant factor in terms of best execution.

The price is based among other things on the following:

- The bond on which the transaction is based
- Bond market yields
- Money market interest rates
- Foreign exchange market prices
- The monetary policy rates of the Danish central bank (Danmarks Nationalbank)

### **Execution venues – and choice of execution venues**

Repo transactions with Sydbank are always executed with Sydbank as the counterparty, ie they are always OTC transactions. This means that Sydbank trades on own account and the client always trades directly with Sydbank.

## **Appendix 8: Portfolio management**

Supplementary information to general description

Sydbank's portfolio management is handled by Sydbank Asset Management, which is an independent business unit of the Bank. Sydbank Asset Management manages clients' portfolios of financial instruments within the framework of the agreed investment mandates. Decisions to buy and sell financial instruments are made on this basis.

Sydbank Asset Management is under an obligation to act in clients' best interests to the greatest extent possible when Sydbank Asset Management has decided to execute a transaction. Consequently the Bank is obliged to ensure best execution and therefore always follows the present execution policy.

Sydbank Asset Management acts partly as a client in Sydbank's trading functions, partly together with a number of business partners which differ from the client order flow of the rest of the Bank.

Sydbank regularly assesses the quality of the business partners used by Sydbank Asset Management and these partners are also included in Sydbank's list of execution venues.