BEST EXECUTION DISCLOSURE DOCUMENT
(June 2019)
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1. Purpose

This Best Execution Disclosure Document ("Disclosure") describes a set of steps that will be taken by EFG Bank AG, Hong Kong Branch, (the “Bank”), to obtain, when executing orders, the best possible result for its clients (“Clients”).

The Bank has established and implemented arrangements, including this Disclosure, which are designed to allow the Bank to meet the regulatory requirement to obtain the best possible result for its Clients’ orders. The process of obtaining such best possible result shall be referred to as “Best Execution”.

As set out in the Bank’s General Conditions of business, as the same shall be amended and supplemented from time to time (“General Conditions”) the Bank may, at its discretion, decline to accept instructions and orders from a Client at any time.

The Bank’s commitment to provide Best Execution does not mean that the Bank owes a Client any fiduciary responsibilities over and above the specific regulatory obligations placed upon the Bank or as may be otherwise contracted between a Client and the Bank.

This Disclosure is supplemented by appendices which provide further details to our execution considerations as they relate to differing asset classes. The appendices cover the following products and should be read in conjunction with this Disclosure:

- Equities- shares & depositary receipts;
- Debt instruments;
- Currency, equity, commodities and securitized derivatives;
- Foreign Exchange;
- Structured Products; and
- Exchange traded products.

2. Scope

This Disclosure applies to all Clients for the orders which are accepted by the Bank from Clients for the purpose of purchasing or selling financial instruments. This Disclosure also applies when the Bank purchases or sells financial instruments in fulfilment of its obligations arising from a portfolio management mandate with its Clients.

The Bank may accept specific instructions from a Client as to how an order is to be executed (whether through its Direct Access Client (“DAC”) service or otherwise).

Depending on their nature, these specific instructions may be inconsistent with the Bank’s Best Execution obligations and its view of Best Execution. Where this is the case, the Bank will take sufficient steps to handle and execute the relevant order in a manner which satisfies a Client’s instructions. However, Clients should note and acknowledge that if they provide the Bank with a specific instruction this may prevent the Bank from taking the steps which have been designed and implemented in this Disclosure to help obtain the best possible result for a Client’s orders, i.e. to apply and provide the Client with Best Execution. Therefore, the provisions and principles of this Disclosure and, particularly, the Best Execution principles, do not apply to aspects of orders covered by, such specific instructions from a Client.
Giving the Bank specific instructions as to execution may potentially adversely affect the execution outcome that a Client receives.

Further, in following a Client’s instructions the Bank will be deemed to have taken all sufficient steps to provide the best possible outcome in respect of the order or aspect of the order covered by their specific instructions. We will however, continue to apply the Bank’s Best Execution principles for the remainder of the order or aspect of the order which are not covered by a Client’s specific instructions.

In the event of extreme volatile markets or force majeure events including but not limited to system outages, restriction due to government actions or market disruption which remains outside the Bank’s control, the Bank may temporarily suspend execution. It is possible that in these adverse market conditions different Clients submitting orders with similar profiles may achieve different outcomes; including whether and when orders or trades will be executed.

3. Execution Factors

Where the Bank executes an order for the Client, in the absence of specific instructions from the Client as to how an order is to be executed, the Bank’s obligation is to take all sufficient steps to obtain the best possible results for the Client. The best possible results means the best overall price being the purchase price at which an order is executed (for a buy order) plus transaction costs passed on to the Client, or the sale price at which an order is executed (for a sell order) minus transaction costs passed on to the Client, across the execution venues on which the Bank may execute orders.

In addition to the best overall price, the Bank will take into account the following factors and give them precedence over the immediate price factors where they are instrumental in delivering the best possible results for the Client in terms of total cost to the Client:

- Liquidity of the financial instrument;
- Costs;
- Speed of execution or settlement;
- Likelihood of execution or settlement;
- Size of the Client’s order;
- Nature of the Client’s order;
- The execution venues available and their trading status; and
- Any other consideration relevant to the efficient execution of the Client’s order, including liquidity and market impact.

The Bank will determine the relative importance of each factor and therefore there may be trade-offs where certain execution factors are considered as having higher importance over others in obtaining the best possible result for the Client.

Ordinarily, price will merit a high relative importance in obtaining the best possible result for the Client. In certain circumstances, for some Client orders, financial instruments or markets, the Bank, in its absolute discretion, may decide that other execution factors are more important in determining the best possible results for the Client in accordance with the Bank’s standard.
4. Execution Criteria

The following execution criteria shall be taken into account when applying relative weights to the execution factors (see section 3):

- the characteristics of the Client;
- the characteristics of the order;
- the characteristics of the financial instruments that are the subject of that order, and
- the characteristics of the execution venues to which that order can be directed.

In providing Best Execution, the Bank will follow the same standards and apply the same processes to all markets and financial instruments. However, the relative importance of any one or several of the abovementioned criteria may vary on a case-by-case basis as a result of the diversity of the markets, financial instruments and order types. For example, whereas price volatility may result in timely execution to be a priority in some markets, in other markets with low liquidity, the likelihood of execution of the order may alone constitute Best Execution. The nature of the Client’s order and any specific instruction linked to that order may also limit the choice in the selection of the execution venue.

5. Execution Venues

When executing a Client’s order, the Bank will take sufficient steps to obtain on a consistent basis the best possible result for the Client and therefore the Bank may use one or more venue types, including but not limited to the following:

- Regulated markets;
- Other exchanges that are not regulated markets;
- Multilateral Trading Facilities (“MTFs”);
- Systematic Internalizers (“SIs”);
- Market makers; or
- Other liquidity providers.

The Bank will undertake on-going assessments of the execution venues used to determine whether existing venues continue to provide for the best possible result for Clients and also to review the suitability of new execution venues. In making this assessment the Bank will utilise information derived from its own internal Best Execution monitoring tools and processes as well as where applicable execution quality data reported by execution venues.

6. Order Management and Handling

a) General Principle

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1 A regulated market means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly, for example, the Hong Kong Stock Exchange.

2 MTF means a system that brings together multiple parties that are interested in buying and selling financial instruments and enables them to do so. These systems can be crossing networks or matching engines that are operated by an investment firm or a market operator. Instruments may include shares, bonds and derivatives. This is done within the MTF operator’s system.
Where the Bank handles Client orders either on a Client's behalf (i.e. upon specific instruction by the Client) or as part of its portfolio management activities, it must ensure that orders are:

- Executed promptly in accordance with the Client’s instruction;
- Accurately recorded and allocated; and
- Executed sequentially unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the Client require otherwise.

This may involve the aggregation of orders of different Clients. The executed orders are allocated to Clients fairly and proportionately.

b) Limit Orders
In circumstances where the Client provides the Bank with a limit order and the Bank determines that a relevant exchange is the best execution venue for the Client’s order, the Bank will send the order in full to the execution venue that we consider being the venue providing the Client with Best Execution. For this evaluation, the Bank will consider the Execution Factors detailed above, in particular the characteristics of the Client’s order, best available price, available liquidity and certainty of execution at time the order is received.

The execution of a Client’s order after transmission to a relevant exchange will be subject to price-time priority.

7. Monitoring and Review
The Bank’s execution arrangements and this Disclosure may be amended from time to time. This Disclosure will be reviewed at least annually, including an assessment of the execution venues used, or whenever a material change occurs that affects our ability to obtain the best result for the execution of Client orders.
8. Appendices

8.1 Fixed Income Desk

a) Scope
The Best Execution considerations for the Fixed Income Instruments apply to the following products:

- Bonds;
- Other debt securities.

b) Approach to obtaining Best Execution
The Bank uses the Bloomberg Multilateral Trading Facility (Bloomberg MTF) as the primary venue of execution, where it is possible to interact with prices from a range of brokers or affiliates. Request for quote ("RFQ") for a firm price, where possible, should be sent to a minimum of three counterparties. In markets with low liquidity, the likelihood of execution of the order may alone constitute Best Execution, and as such there may be occasions where the Bank will execute the order when only a single counterparty has responded. In limited circumstances, such as a small new issue offered by a single lead manager an order may be routed to a single broker, or smaller field of brokers, on an over-the-counter (OTC) basis.

c) Prioritization of Execution Factors
When executing transactions where Best Execution applies, the Bank will take the following factors into account: price, costs, speed, likelihood of execution and settlement. However there might be circumstances where the primary factor is less important, for example, for transactions in illiquid markets. The Bank will use its experience and expertise to achieve the best possible balance across the full range of factors.

8.2 Equity Desk

a) Scope
The Best Execution considerations for the Equities Instruments apply to the following products:

- Shares;
- Depositary receipts;
- Rights;
- Warrants;
- OTC Options;
- Exchange traded funds ("ETFs");
- Exchange traded derivatives ("ETDs").

b) Approach to obtaining Best Execution
Taking into account any particular criteria or instructions provided, Equity orders are routed to one or more brokers or affiliates immediately for execution or for working the Client order over some period of time.
The Bank has selected a sole broker for execution of ETDs and Warrants as it is able to show that this allows it to obtain the best possible results for Clients on a consistent basis and where it can reasonably expect that the selected broker will enable the Bank to obtain results for Clients that are at least as good as the results that it reasonably could expect from using alternative brokers for execution. And, some brokers employ a smart order routing technology to efficiently access liquidity.

The above broker(s) are subject to review and monitoring as part of the Bank’s ongoing assessment of the execution venues for Best Execution.

**c) Prioritisation of Execution Factors**

When executing Cash Equities transactions and where Best Execution applies, the Bank will take into consideration the following execution factors: price; likelihood of execution; size; costs; speed and other considerations.

The primary execution factor for the purpose of fulfilling the Best Execution obligation will usually be the price. However, the Bank will consider all key execution factors (including, without limitation, order typology, liquidity profile of the instrument, size of the order, general market environment and conditions) assessing their relative weighting in light of a wide range of elements that could influence the outcome of the execution. The Bank will use its experience and expertise to achieve the best possible balance across the full range of factors.

### 8.3 Forex and Metals Desk

**a) Scope**

The Best Execution considerations for the Foreign Exchange (“FX”) Instruments, covering all tradable currencies, non-deliverable forward (“NDF”) currencies and precious metals, apply to the following products:

- Forwards;
- Swaps;
- Options;
- Structured Products.

FX and PM Spot are out of scope for Best Execution, however, the Bank strives to offer competitive pricing and best possible execution when handling the Client’s FX and PM Spot transactions as principal transactions.

**b) Approach to obtaining Best Execution**

The Bank uses a number of different execution venues including: EBS, Reuters FXT, Fxall, 360T, Reuters Dealing, all major Banks, affiliates or any other execution venue as the Bank sees fit. Request for quote (“RFQ”) for a firm price, where possible, should be sent to a minimum of three counterparties. In markets with low liquidity, the likelihood of execution of the order may alone constitute Best Execution, and as such there may be occasions where the Bank will execute the order when only a single counterparty has responded.

The Bank acts as the counterparty to all FX swap orders received from Clients. The price provided to Clients will be referenced to the median of the pricing range quoted by a minimum of three counterparties from the MTFs. When only a single counterparty has responded, the only quote will be deemed as the best possible reference quote. In the event of extremely volatile markets, and/or in
the absence of available quotes in the platform for price reference, the Bank will take steps to obtain the market pricing level by other means.

c) Prioritisation of Execution Factors
When executing transactions, in absence of specific instructions, the Bank will take the following execution factors into account: price, all costs associated with the execution of the order, speed, likelihood of full execution, execution venue, settlement, size, scope, type of order or any other consideration relevant to the execution of a transaction such as the concentration/credit limit issues with the counterparty, as determined by the Bank. The Bank will use its experience and expertise to achieve the best possible balance across the full range of factors.

8.4 Structured Products Desk

a) Scope
The Best Execution considerations for Structured Products apply to the following products:

- Flow and Non-Flow Structured Products.

b) Approach to obtaining Best Execution
The Structured Products Desk uses the following execution venues; third party investment firms, brokers, and/or affiliates acting as market makers or other liquidity providers; and other internal sources of liquidity. When using an intermediary, the Bank’s main responsibility is the proper selection and monitoring of the intermediary. Where the Bank executes an order itself the Bank’s main responsibility is to select the appropriate counterparty. In limited circumstances, such as a first launch or a subsequent launch offered by a single broker, the order would be routed to the single broker for execution.

For all Structured Products flow, Request for quote (“RFQ”) should be sent to all approved counterparties. In the event where timely execution is required, the best quote should be compared with a minimum of three counterparties. For non-flow products, RFQ for a firm price, where possible, should be sent to a minimum of three counterparties. In markets with low liquidity, the likelihood of execution of the order may alone constitute Best Execution, and as such there may be occasions where the Bank will execute the order when only a single counterparty has responded. In the event that the order size does not meet the minimum size to trade on the best quote, the Bank has the discretion to show the next best quote that is in the acceptable minimum size by the counterparty.

c) Prioritisation of Execution Factors
When executing transactions where Best Execution applies, EFG will prioritize the following execution factors: execution venue, price, all costs associated with the execution of the order, likelihood of full execution, settlement, scope, type of the order and any other condition of the market relevant to the execution of a transaction.

Generally, we consider that the most important execution factor is the price and the execution venue used for the relevant financial instrument. However, there may be circumstances where the primary execution factors may vary and where price or execution venue are no longer the dominant execution factors; for example, for transactions in illiquid securities, likelihood of execution and market impact might be considered more important. During the trading process when applying consideration to each execution factor, EFG will use its experience and expertise to achieve the best possible balance across the full range of factors, which may conflict within themselves.