

# Nordea Execution Policy

*1 January 2018*

The President of Nordea Bank AB (publ) and Chief Executive Officer (CEO) in Group Executive Management has approved this execution policy (“Execution Policy”), which was last updated in January 2018.

## **1. Purpose of the Execution Policy – on a continuous basis to achieve the best possible results when executing orders**

This document sets out the approach to providing Best Execution (as defined below) as required by the Markets in Financial Instruments Directive 2014/65/EC (“MiFID”) for Nordea Bank AB (publ), including, without limitation, (i) Nordea Bank AB (publ), Finnish Branch, (ii) Nordea Bank AB (publ), filial i Norge and (iii) Nordea Danmark, filial af Nordea Bank AB (publ), Sverige (together “Nordea”). When trading with Nordea this Policy applies together with the applicable Terms & Conditions.

As a regulated investment firm Nordea is required to take all sufficient steps to obtain the best possible results for our clients on a continuous basis when either executing orders on behalf of clients or when transmitting orders to other entities for execution (known as “Best Execution”). Nordea has a policy and processes in place to ensure we meet our Best Execution obligations, taking into account certain factors, criteria and execution venues. These are outlined below.

A summary of this Execution Policy specifically intended for Retail (Non-Professional) Clients can be found at <https://www.nordea.com/en/our-services/policiesandsupport/policiesforinvestmentservices>

The appendices to this Execution Policy cover the below classes of financial instruments and specify respectively how execution is applied, the priority of the execution factors, the order process as well as which execution venues are used and how Nordea monitors the effectiveness of the execution:

- equities (shares, exchange-traded products and depositary receipts)
- debt instruments (fixed income and repo products)
- credit derivatives (credit default swaps)
- interest rate derivatives
- foreign exchange products (FX)
- investments products (structured bonds and securitised derivatives)
- equity derivatives (listed and OTC)
- securities borrowing and lending

## **2. Scope**

The scope of Best Execution applies to orders in Financial Instruments as defined under MiFID.

## **2.1 Non-Professional Clients**

Nordea will always apply Best Execution to orders from Non-Professional Clients dealing in Financial Instruments.

## **2.2 Professional Clients**

Nordea will apply Best Execution to orders from Professional Clients dealing in Financial Instruments in the following circumstances:

1. where the professional client places an order with Nordea
2. for requests for quotes (RFQs) where the professional clients legitimately rely on Nordea to protect their interests in relation to pricing and other important elements of the transaction. Here, Nordea will take the below factors into account. All factors will have to be satisfied for Nordea to owe a duty of best execution:
  - whether the professional client or Nordea initiates the orders (for example where Nordea approaches the client and proposes a transaction, it is more probable that Nordea will owe a duty of best execution) and
  - market practice with respect to the relevant Financial Instrument, including the ability for the client to “shop around”(for example where a client is not able to approach several firms for a quote, it is more probable that Nordea will owe a duty of best execution) and
  - the level of price transparency in the market (for markets where clients do not have ready access to prices, it is more probable that Nordea will owe a duty of best execution) and
  - information provided by Nordea (where Nordea has expressly agreed to provide best execution to the client).

## **2.3 Eligible counterparties and non-MiFID business**

Nordea does not provide Best Execution to orders from eligible counterparties or to non-MiFID business.

## **3. Execution factors, total consideration and relative importance**

### **3.1 Execution factors**

When deciding how to execute a transaction Nordea will take into account the following factors:

- price – the fair price at which a Financial Instrument is executed
- costs – all costs related to the transaction including implicit costs such as the possible market impact, explicit external costs including exchange or clearing fees and explicit internal costs, which represent Nordea’s own remuneration through commission or spread
- speed of execution – the time it takes to execute the transaction
- likelihood of execution and settlement – the likelihood that we will be able to complete the transaction
- size of the transaction – the size of the transaction executed for a client, accounting for how this affects the price of execution (typically only relevant for large transactions)
- any other considerations relevant to the execution of the transaction (for example market impact) – how the particular characteristics of the transaction can affect how Best Execution is achieved.

### **3.2 Price setting**

Nordea adopts the following approach to the setting of prices for transactions. The total execution price provided to a client is made up of the base price plus costs and charges<sup>1</sup>:

- Base price: the price that Nordea would face to hedge the transaction in the interbank market, whether realised or estimated. The base price includes adjustments, if any, for Nordea’s view on market risk factors and how Nordea seeks to position itself in the market according to such risk factors.
- Costs and charges: the difference between the price of the position for Nordea and the all-in price for the client. This includes all costs and charges that are related to the transaction performed by Nordea or other parties.

### **3.3 Non-Professional Clients – total consideration**

When Nordea executes a transaction on behalf of a Non-Professional Client, the provision of Best Execution will be determined in terms of the total consideration (as described in clause 3.2 above).

Speed, likelihood of execution and settlement, the size and nature of the transaction,

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<sup>1</sup> Otherwise known as total consideration, ie the price of the relevant Financial Instrument plus the costs related to the execution of the order. These costs will include expenses incurred which are directly related to the execution of the order (such as execution venue fees and clearing and settlement and any other fees paid to third parties involved in the execution of the order).

market impact and any other implicit transaction costs may be given precedence over the immediate price and cost considerations only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the Non-Professional Client.

### **3.4 Professional Clients - relative importance of execution factors**

Nordea will, using its reasonable judgement, weigh the execution factors at the time of execution in accordance with the client's characteristics, the type of transaction, the Financial Instrument involved and the prevailing market conditions.

### **3.5 Special Circumstances**

In special circumstances Nordea may deviate from our prioritisation of the execution factors. Such special circumstances may include particularly large transactions, transactions in illiquid instruments, if certainty of execution and market impact are deemed more important, or if severe market disruptions prevent Nordea from following the prioritisation outlined in this Execution Policy.

## **4. Our different methods of execution and Specific Instructions**

### **4.1 Execution on a Trading Venue**

When Nordea accepts a transaction from a client, Nordea may at its own discretion execute the transaction itself or transmit the order to another broker/financial institution for execution.

When transmitting transactions for execution, Nordea will use brokers possessing specific and adequate arrangements to satisfy the requirements of Best Execution. Subsequent to receiving a transaction to which this Execution Policy applies, Nordea will normally route the transaction directly to execution venues which are chosen in accordance with this Execution Policy.

The decision on how transactions are routed to potentially multiple trading venues is dependent on multiple factors, such as the relevant transaction type or specific instructions in place as well as the trading venue's suitability for that transaction or the availability of the relevant transaction type.

Nordea may route a transaction to a single trading venue, ie a regulated market, an MTF (Multilateral Trading Facility) or an OTF (Organised Trading Facility) or a broker or choose to use automated order routing systems or algorithmic order execution solutions depending on the characteristics of the transaction.

When using automated order routing and/or algorithmic order execution solutions, the weights how transactions are routed to various venues are dynamic and may depend on several variables such as the type of financial instrument, client instructions and market conditions. Transactions may be dynamically amended during their life cycle, for example by changing the allocation of volume across trading venues in case this is considered desirable for Best Execution purposes.

#### **4.2 Execution Over The Counter (OTC)**

Subject to consent from the client, Nordea may execute transactions outside trading venues eg against our own account (OTC). Such consent is not necessary for transactions in OTC instruments which are neither admitted to trade nor traded on a trading venue.

Nordea will with respect to certain financial instruments be acting as a systematic internaliser when executing client transactions. Nordea may also execute transactions against our own account as a market maker or liquidity provider. When executing transactions against own account the client will have a counterparty risk on Nordea.

#### **4.3 Execution through Brokers**

Where Nordea does not have membership of the trading venue relevant for the transaction, such transaction will be transmitted to a broker. The broker will execute the transaction on such trading venue or alternatively transmit the transaction to another third party. Typically the broker is a credit institution, investment firm or similar intermediary.

When executing client transactions by transmitting them to third parties, Nordea takes all sufficient measures to select brokers that provide Best Execution on a continuous basis.

#### **4.4 Aggregation and allocation of orders**

When carrying out orders for clients, Nordea will usually execute comparable orders sequentially. All client orders will be handled in a timely manner, taking into account the characteristics of the order and prevailing market conditions or the instructions or interests of the client require otherwise.

Nordea may aggregate client orders with those of other clients or a transaction for Nordea's own account to be executed at the same time. Aggregation will only occur if it is unlikely that it will work overall to the disadvantage of any client whose order is to be aggregated. However, it is possible that the aggregation could be disadvantageous in relation to a specific client order.

An aggregated order that has been executed will be allocated at the average price. Where an aggregated order has only been partly executed, the allocation will be proportionate to the relative size of the order. Where a client order has been aggregated with a transaction for Nordea's own account and the aggregated order is only partially executed, the client will be given priority in the allocation.

#### **4.5 Specific Instructions**

Where a client provides Nordea with specific instructions on how all or part of its transaction should be executed, Nordea will execute that transaction in accordance with those instructions. The specific instructions from the client will take precedence over what is stated in this Execution Policy. This means that specific instructions from the client may signify that Nordea should not follow the procedures set forth in this Execution Policy but will have satisfied its obligations to obtain the best possible result for the execution of the client's transaction by following the specific instructions.

If the client has given specific instructions which apply only to one part or one aspect of a transaction, Nordea still owe a duty of Best Execution to the part of the transaction that is not covered by the specific instructions of the client.

Examples of specific instructions would be if a client requests Nordea to execute an order at a specific price or at a specific trading venue.

### **5. Selection of execution venues/brokers**

#### **5.1 Execution venues**

When selecting suitable execution venues for execution of transactions, Nordea will take sufficient efforts to select execution venues that consistently allow the best result to be achieved.

Nordea takes the following specific factors into consideration when selecting suitable execution venues, including primarily such venues' liquidity (that is, spread, depth, market share etc.) and likelihood of both execution and settlement, but also any other circumstance that Nordea considers relevant to the selection of such execution venues. As a basis for its selection Nordea analyses the quarterly execution quality reports published by execution venues to evaluate and compare venues.

An updated list of the execution venues that Nordea uses for execution of transactions can be found at [www.nordea.com/mifid](http://www.nordea.com/mifid).

#### **5.2 Brokers**

Brokers to whom Nordea transmits transactions are carefully chosen. Selection is carried out via regular reviews of the brokers' ability to provide Best Execution and their ability to enable Nordea to fulfil its obligations under relevant legislation, regulations and this Execution Policy.

When choosing the broker, Nordea will, in addition to the above-mentioned factors, consider factors that Nordea deems important from time to time. Such factors could for example be Nordea's general assessment of and confidence in the broker, but also which trading venues the broker has access to.

Nordea may at its own discretion provide specific instructions to a broker, for example to execute the trade at a specific trading venue in order to achieve Best Execution.

## **6. Reservations and matters beyond Nordea's reasonable control**

In the event of system disruption, irregularities, breakdown or exceptional market conditions beyond Nordea's reasonable control, Nordea may execute transactions on other trading venues than those mentioned in the list of trading venues published on [www.nordea.com/mifid](http://www.nordea.com/mifid).

In such exceptional circumstances, Nordea may also execute or transmit transactions subject to other considerations than set forth in this Execution Policy. In such cases, Nordea will, with all possible means, execute the clients' transactions in an alternative way and in the clients' best interest, under the best possible conditions for the clients given the relevant circumstances.

## **7. Monitoring and policy review process**

To ensure the best possible result of execution and transmission of client transactions, Nordea will monitor, on a documented and continuous basis, its strategy, this Execution Policy and the execution venues used for execution of transactions as well as the brokers to whom Nordea transmits transactions for execution.

Nordea makes public the execution quality provided when Nordea is the execution venue as well as documentation of the main venues used and a summary of the execution results when using these. This documentation can be found at <https://www.nordea.com/en/our-services/policiesandsupport/policiesforinvestmentservices>

### **Review and information on material changes**



Nordea will review this Execution Policy and our Best Execution arrangements at least annually and when a material change occurs.

Nordea will notify clients with whom we have an ongoing relationship of any material changes to our transaction execution arrangements or this Execution Policy.

A material change is a significant event that could impact the parameters of Best Execution such as cost, price, speed, likelihood of execution and settlement, size or nature of the transaction or any other considerations relevant to the execution of the transaction.

The addition or removal of execution venues or brokers is generally not considered a material change unless it is one of the main venues/brokers that Nordea relies on for execution of transactions in a certain class of Financial Instruments. Non-material changes will only be published on [www.nordea.com/mifid](http://www.nordea.com/mifid).

## **8. Reporting obligations**

Nordea will on its website publish the top five execution venues and Brokers in terms of trading volumes for all executed or transmitted client orders per class of Financial Instruments. Such information will include information about the class of Financial Instruments, the venue name or Broker name and identifier and the volume and number of client orders executed on that execution venue or through that Broker expressed as a percentage of the total executed volume and total number of orders.

Nordea will also publish for each class of Financial Instruments a summary of the analysis and the conclusions drawn by Nordea based on its detailed monitoring of the quality of execution obtained on the execution venues where Nordea executed all the client orders in the previous year.

As a systematic internaliser or market maker/other liquidity provider, Nordea will on a quarterly basis publish for each market segment it operates in and for each Financial Instrument information on the type of execution venue and Financial Instrument, information as regards prices for each trading day orders were executed in the Financial Instrument, costs applied by it to users of Nordea as an execution venue and likelihood of execution for each trading day in accordance with applicable legislation.

## **9. Consent**

In order for Nordea to provide execution services to its clients, Nordea's clients are required to accept this Execution Policy together with the terms and conditions for the

respective brokerage service. Where the client has not previously accepted this Execution Policy, the client accepts this Execution Policy by submitting a transaction for execution to Nordea.

For further information please contact your customer relationship manager at Nordea.

# Execution Policy Appendix

## Cash equities

*1 January 2018*

### **1. Products in scope**

This appendix to Nordea's Execution Policy provides further details regarding the application of Best Execution requirements and explains the arrangements in place when handling transactions in relation to cash equity products. This includes the following products:

- ordinary shares
- exchange-traded funds (ETFs)
- warrants and certificates
- depositary receipts
- investment funds (UCITS and alternative investment funds).

### **2. The order/quote handling process**

Nordea can receive cash equity products orders from customers through multiple channels such as the Retail Bank channel "Nordea Online Investor", via phone or via electronic communication lines based on financial information exchange (FIX) standards. This means that a range of fully automated order routing solutions and order routing strategies as well as manual interaction can be applied.

More complex orders received either via electronic communication lines based on FIX standards or via recorded phone or message systems and/or including specific instructions will be handled by specialised sales trading units. During such order handling various algorithms may be used to obtain the best result for the client given the nature of the order. The purpose of using trading algorithms is to facilitate execution by seeking liquidity across markets and to reduce the market impact by executing orders over time and across trading venues. A major part of the execution algorithms are developed and operated by external vendors. The algorithms are integrated into Nordea's order management system and are subject to specific approval and application of testing, limit controls and other safety parameters.

Nordea accepts the following types of orders:

- Market orders (also referred to as immediate orders) are orders ready for execution, filling the request. They include standard block orders which are large in size.

Nordea's Best Execution arrangements apply to all the above order types and subsequent transactions in cash equity instruments where Nordea as an agent transmits orders or in a principal capacity executes orders on behalf of our professional and non-professional clients.

- Limit orders, trigger orders (including stop-loss orders) or orders with specific instructions are orders where the price or other considerations are defined by the client defining when/how to execute the order.

Nordea will provide Best Execution of limit, trigger and specific instructions orders by following the instructions as far reasonably possible in accordance with those instructions. However, specifics of the instructions may prevent us from taking the steps that we have put in place to obtain the best possible result for execution of the order.

- Orders relating to investment funds are orders based on subscription and redemption instructions from our clients with respect to units/shares in investment funds. Nordea will execute or transmit such orders by placing the order with the fund management company or equivalent or with a broker or other intermediary for execution in accordance with the relevant investment fund rules or equivalent rules.

Professional clients using Nordea's Direct Electronic Access or Direct Market Access service, which allow clients to use Nordea's trading infrastructure, may place orders with a higher degree of complexity and the arrangements for their execution are specifically adapted for that. The Direct Electronic Access and Direct Market Access arrangements include access to more order types and routing strategies and require separate agreements with Nordea. Best Execution applies except if the client specifies how execution is to take place or restricts execution.

#### **Nordea accepts Request for Quotes (RFQs)**

- Requests for quotes (RFQs) from professional clients are received via phone or Bloomberg chats, and tailoring of the product depends on the specific client needs. Specific valuation and pricing of the cash equity instruments is provided based on a systematic monitoring of the relevant underlying factors constituting

the specific instrument. Upon acceptance of the RFQs the orders are executed via Nordea's own book.

Nordea does not consider Best Execution applicable for RFQs for cash equity instruments as RFQs are initiated by the client and there is a transparent market practice and multiple competing investment firms are involved in providing such RFQs. Nordea strives to provide fair and competitive OTC prices throughout the RFQ process.

### **3. Prioritisation of Best Execution factors**

To achieve Best Execution of cash equity instruments Nordea will take into account the execution factors prioritised as described below.

The execution factor "Likelihood of settlement" is generally not considered to be a significant factor in equity markets and not listed below as settlement follows formal clearing procedures or is otherwise organised to facilitate timely settlement where Nordea holds a membership. When using brokers for the execution, settlement takes place bilaterally and Nordea holds responsibility for such settlement.

#### **Prioritisation of execution factors for Non-professional clients' orders**

For Non-professional clients the total consideration, ie price including costs, constitutes the provision of Best Execution and orders are executed immediately at the best available price. Other execution factors may be given precedence to total consideration only insofar as they are incremental in delivering the best possible result in terms of total consideration.

#### **Prioritisation of execution factors for Professional clients' orders**

For professional clients the relative importance of the execution factors differs from the above as such clients' orders typically involve larger volumes and higher complexity, implying that price (ex costs) and size have higher relative importance. Higher complexity execution could for example be orders that potentially have a market impact and could affect prices if routed directly. Therefore, other considerations and likelihood of execution are also considered of relatively high importance, including considerations related to the selection of a suitable strategy such as executing orders as child orders and/or using algorithmic execution.

This means that the relative importance of the execution factors may be applied in the below order if no other considerations are influencing the execution:

1. Price

2. Size
3. Other considerations / likelihood of execution
4. Costs
5. Speed

#### **4. Execution Venues used**

Nordea is a member of the Nordic trading venues (exchanges). Further, Nordea uses Brokers on markets where we are not a member, eg for non-Nordic cash equity execution.

Nordea can also act as principal when executing client orders. For instruments that are traded on a substantial and frequent basis by Nordea, we will act as a systematic internaliser, meaning that Nordea will provide public quotes for these instruments and fulfil extensive reporting on the execute quality. Such systematic internaliser capacity is expected to apply mainly for Nordic liquid instruments.

Through Nordea's governance framework with monthly meetings and assessment of the execution set-up, Nordea assesses whether the execution venues and brokers included in this appendix provide the best possible results for our clients.

##### **Venue review**

Nordea reviews the exchange venue memberships annually in order to assess the level of quality of execution Nordea can achieve on these venues. Nordea assesses several factors but attaches the highest relative importance to qualitative parameters such as coverage of instrument classes in the relevant market and system set-up as well as quantitative levels of prices via transaction cost analysis (TCA), available liquidity and clearing schemes possible to achieve.

##### **Broker review**

Nordea also reviews the external brokers annually using a combination of quantitative transaction cost analysis (TCA) and qualitative evaluation through meetings with and documentation on the selected brokers.

A full list of our memberships and third-party brokers can be found at <https://nordeamarkets.com/trade-conditions/>

#### **5. Benchmarking and monitoring**

Nordea applies a governance framework and control process for monitoring the

effectiveness of order execution arrangements for cash equity products. This implies assessing the execution policy and this appendix, the associated products covered, qualitative and quantitative execution factors as well as assessing the arrangements surrounding the order handling process and the venues and brokers used.

A transaction cost analysis (TCA) tool is used for benchmarking the execution price against market prices in order to verify execution at the best available prices at the time of execution. This verification is done by live monitoring and post-trade monitoring of execution strategies across time for specific customer segments, venues and brokers.

On a regular basis the quality of the execution prices is evaluated and necessary changes in order to improve the execution prices obtained are considered. The general quality of the execution prices and comments to monthly TCA reports are reported to management at Nordea Equities, which also constitutes the escalation process for any required corrections in the set-up.

An execution summary report is further made publicly available on a yearly basis and is updated on a monthly basis. This report can be found at <https://www.nordea.com/en/our-services/policiesandsupport/policiesforinvestmentservices>

# Execution Policy Appendix

## Fixed income and repo products

*1 January 2018*

### **1. Products in scope**

This appendix to Nordea's Execution Policy provides further details regarding the application of Best Execution requirements in relation to fixed income (FI) products. This includes the following products:

- corporate bonds
- sovereign bonds
- covered bonds
- convertible bonds
- other public bonds
- repos.

### **2. The order/quote handling process**

Nordea deals in FI products with clients through the receipt of orders or requests for quotes (RFQs). Nordea may, at its discretion, refuse to accept any order or RFQ for any reason and will not be obliged to execute any order. The process for handling each is described below.

#### **Orders**

Nordea accepts the following types of orders for FI products from clients:

- Limit orders. Limit orders are orders from the client to buy or sell a volume of a FI product at a specified limit price.



Nordea will provide Best Execution of limit orders by respecting the specific instructions given by the client to execute the transaction in the requested instrument, direction and size at the specified price provided that the market liquidity allow it.

- Market orders. Market orders are orders from the client to execute a transaction in a given financial instrument for a specific size and direction at the current market price.

Nordea will provide Best Execution of market orders by executing the order at the best possible price available to Nordea provided that the liquidity conditions allow it.

## **RFQ**

An RFQ is a request from a client for Nordea's price for a specific FI product. Nordea accepts RFQs for FI products via the following channels:

- voice or chat
- electronically via multi-dealer platform

Nordea will provide Best Execution of RFQs by pricing the transaction fairly and as soon as practicable for the specified volume and underlying given current market conditions.

### **3. Prioritisation of Best Execution factors**

To achieve Best Execution of FI products, Nordea will take into account the execution factors prioritised in the below order. Nordea will generally focus on optimising the first three factors (price, costs and speed) when dealing in FI products and may change the order of importance depending on the characteristics of the specific transaction or instructions from the client. For non-professional clients Nordea will provide Best Execution assessed on the basis of total consideration, representing the price of the FI product and the costs relating to execution.

1. Price
2. Costs
3. Speed
4. Likelihood of execution and settlement
5. Size

6. Nature of the transaction or any other considerations relevant to the execution of the transaction.

#### **4. Execution venues used**

The execution venue can either be Nordea or electronic venues.

Nordea almost always trades FI products on a principal basis. When not acting as principal, Nordea will act as broker and route client orders to an exchange for execution.

A list of venues where Nordea's clients can access liquidity electronically can be found here <https://nordeamarkets.com/trade-conditions/>

For FI instruments that are admitted to trading on a trading venue (ToTV), Nordea will act as a systematic internaliser.

#### **5. Benchmarking and monitoring**

Nordea applies a governance framework and control process for monitoring the effectiveness of execution arrangements for FI products. This implies assessing the requirements of this policy, the associated products covered, providing fair OTC prices (qualitatively and quantitatively) as well as assessing the arrangements surrounding the order and RFQ handling processes.

Prices are benchmarked to reference data applicable for the relevant instrument or underlying exposures where possible. Where no directly applicable reference data of sufficient quality is available, Nordea's internal valuation models are used.

# Execution Policy Appendix

## Credit default swaps

*1 January 2018*

### **1. Products in scope**

This appendix to Nordea's Execution Policy provides further details regarding the application of Best Execution requirements in relation to credit default swaps (CDSs).

This includes the following products:

- credit default swaps
- customised credit default swaps.

### **2. The order/quote handling process**

Nordea deals in CDSs with clients on a request for quotes (RFQ) basis. Nordea does not accept orders for CDSs from clients. Nordea may, at its discretion, refuse to accept any RFQ for any reason.

An RFQ is a request from a client for Nordea's price for a specific CDS. Nordea accepts RFQs for CDSs via the following channels:

- voice or chat

Nordea will provide Best Execution of RFQs by pricing the transaction fairly and as soon as practicable for the specified volume and underlying given current market conditions.

### **3. Prioritisation of Best Execution factors**

To achieve Best Execution of CDSs, Nordea will take into account the execution factors prioritised in the below order. Nordea will generally focus on optimising the first three factors (price, costs and size) when dealing in CDSs and may change the order of

importance depending on the characteristics of the specific transaction or instructions from the client. For non-professional clients Nordea will provide Best Execution assessed on the basis of total consideration, representing the price of the CDS and the costs relating to execution.

1. Price
2. Costs
3. Size
4. Speed
5. Likelihood of execution and settlement
6. Nature of the transaction or any other considerations relevant to the execution of the transaction.

#### **4. Execution venues used**

In the majority of instances Nordea will be the execution venue for CDSs. A list of venues where Nordea's clients can access our liquidity electronically can be found here <https://nordeamarkets.com/trade-conditions/>

Nordea trades CDS products on a principal basis.

The client's counterpart can be Nordea or a central counterparty (CCP) clearing house. This will be agreed with the client when the trade is entered into.

Where the MiFIR trading obligation is applicable, an authorised trading venue for CDSs will be the execution venue.

#### **5. Benchmarking and monitoring**

Nordea applies a governance framework and control process for monitoring the effectiveness of execution arrangements for CDS products. This implies assessing the requirements of this policy, the associated products covered, providing fair OTC prices (qualitatively and quantitatively) as well as assessing the arrangements surrounding the RFQ handling process.

Prices are benchmarked to reference data applicable for the relevant instrument or underlying exposures where possible. Where no directly applicable reference data of sufficient quality is available, Nordea's internal valuation models are used.

# Execution Policy Appendix

## Interest rate derivatives

*1 January 2018*

### **1. Products in scope**

This appendix to Nordea's Execution Policy provides further details regarding the application of Best Execution requirements in relation to interest rate derivative products (IRDs). This includes the following products:

- interest rate swaps
- cross currency swaps
- caps
- floors
- swaptions
- other interest rate derivatives not covered in the above categories.

### **2. The order/quote handling process**

Nordea deals in IRDs with clients through the receipt of request for quotes (RFQ) or orders. Nordea may, at its discretion, refuse to accept any RFQ or order for any reason and will not be obliged to execute any order. The process for handling each is described below.

#### **RFQ**

An RFQ is a request from a client for Nordea's price for a specific IRD product. Nordea accepts RFQs for IRDs via the following channels:

- voice or chat
- electronically via multi-dealer platform

Nordea will provide Best Execution of RFQs by pricing the transaction fairly and as soon as practicable for the specified volume and underlying given current market conditions.

## **Orders**

Nordea accepts the following types of orders for IRDs from clients:

- Specific price order. An order to enter into an IRD for a given volume and maturity at a specified limit price within an agreed time period when the order price is accessible in the market.

Nordea will provide Best Execution of specific price orders by following the instructions as far as reasonably possible in accordance with those instructions and once the agreed limit price has been reached by either executing the order in the market, taking the risk onto the trading book or through a combination of both.

- At best price order. An order to immediately enter into an IRD for a given volume and maturity. Nordea will inform the client about the all-in price when Nordea has fulfilled the at best price order.

Nordea will provide Best Execution of at best price orders by executing the order at the best price possible for the specified volume and maturity as soon as practicable given current market conditions.

### **3. Prioritisation of Best Execution factors**

To achieve Best Execution of IRDs, Nordea will take into account the execution factors prioritised in the below order. Nordea will generally focus on optimising the first three factors (price, costs and size) when dealing in IRDs and may change the order of importance depending on the characteristics of the specific transaction or instructions from the client. For non-professional clients Nordea will provide Best Execution assessed on the basis of total consideration, representing the price of the IRD and the costs relating to execution.

1. Price
2. Costs
3. Size
4. Speed
5. Likelihood of execution and settlement
6. Nature of the transaction or any other considerations relevant to the execution of the transaction.

#### **4. Execution venues used**

In the majority of instances Nordea will be the execution venue for IRDs. A list of venues where Nordea's clients can access our liquidity electronically can be found here <https://nordeamarkets.com/trade-conditions/>

The client's counterpart can be Nordea or a central counterparty (CCP) clearing house. This will be agreed with the client when the trade is entered into.

Where the MiFIR trading obligation is applicable, an authorised trading venue for IRDs will be the execution venue.

For IRD instruments that are admitted to trading on a trading venue (ToTV), Nordea will be a systematic internaliser.

#### **5. Benchmarking and monitoring**

Nordea applies a governance framework and control process for monitoring the effectiveness of execution arrangements for IRD products. This implies assessing the requirements of this policy, the associated products covered, providing fair OTC prices (qualitatively and quantitatively) as well as assessing the arrangements surrounding the RFQ and order handling processes.

Prices are benchmarked to reference data applicable for the relevant instrument or underlying exposures where possible. Where no directly applicable reference data of sufficient quality is available, Nordea's internal valuation models are used.

# Execution Policy Appendix

## Foreign exchange products

*1 January 2018*

### **1. Products in scope**

This appendix to Nordea's Execution Policy provides further details regarding the application of Best Execution requirements in relation to foreign exchange (FX) products. This includes the following products:

- FX spot
- forwards
- FX non-deliverable forwards
- FX swaps
- FX options.

### **2. The order/quote handling process**

Nordea deals in FX products with clients through the receipt of orders or requests for quotes (RFQs). Nordea may, at its discretion, refuse to accept any order or RFQ for any reason and will not be obliged to execute any order. The process for handling each is described below.

#### **Orders**

Nordea accepts orders for FX spot from clients. Orders are placed either directly with a salesperson via phone/chat or electronically on a single-dealer or multi-dealer platform.

Nordea accepts the following types of orders:

- Immediate orders (at best, at worst). Immediate orders are orders from the client to buy or sell a volume of a currency pair with the aim of achieving the best possible outcome based on the client's instructions and available liquidity.

Nordea will provide Best Execution of immediate orders by executing the order at the best price possible for the specified volume and currency pair as soon as



practicable given current market conditions.

- Resting orders (stop-loss, take-profit). Resting orders are orders from the client to buy or sell a volume of a currency pair at a specified limit price. There are two main types of resting orders:
  - i. Stop-loss order - an order to buy a volume of a currency pair at a specified limit price above the current market price, or to sell a volume of a currency pair at a specified limit price below the current market price, when that price is reached in the market.
  - ii. Take-profit order – an order to buy a volume of a currency pair at a specified limit price below the current market price, or to sell a volume of a currency pair above the current market price, when that price is reached in the market.

Nordea will provide Best Execution of resting orders by continually monitoring its resting order book and once the agreed limit price has been reached by either executing the order in the market, taking on the risk on the trading book or through a combination of both.

- Specific instructions orders. Specific instructions orders are orders from the client to buy or sell a volume of a currency pair with specific execution instructions.

Nordea will provide Best Execution of specific instructions orders by following the instructions as far as reasonably possible in accordance with those instructions. However, specifics of the instructions may prevent us from taking the steps that we have put in place to obtain the best possible result for execution of the order.

- Fixing orders. Fixing orders are orders to buy or sell a specified notional amount at an agreed FX benchmark/fix requested by a client.

Nordea will provide Best Execution of fixing orders by endeavouring to work these orders by sourcing liquidity through available sources and in accordance with the client's instructions.

## **RFQ**

An RFQ is a request from a client for Nordea's price for a specific FX product. Nordea accepts RFQs for FX products via the following channels:

- voice or chat
- electronically via multi-dealer platform
- electronically via single-dealer platform
- electronically via APIs (e.g. FIX)

Nordea will provide Best Execution of RFQs by pricing the transaction fairly and as soon as practicable for the specified volume and underlying given current market conditions.

### **3. Prioritisation of Best Execution factors**

To achieve Best Execution of FX products, Nordea will take into account the execution factors prioritised in the below order. Nordea will generally focus on optimising the first three factors (price, costs and speed) when dealing in FX products and may change the order of importance depending on the characteristics of the specific transaction or instructions from the client. For non-professional clients Nordea will provide Best Execution assessed on the basis of total consideration, representing the price of the FX product and the costs relating to execution.

7. Price
8. Costs
9. Speed
10. Likelihood of execution and settlement
11. Size
12. Nature of the transaction or any other considerations relevant to the execution of the transaction.

### **4. Execution venues used**

The execution venue can either be Nordea or electronic venues where clients access our liquidity.

Nordea trades FX products on a principal basis.

A list of venues where Nordea's FX clients can access our liquidity electronically can be found here <https://nordeamarkets.com/trade-conditions/>

For FX products that are admitted to trading on a trading venue (ToTV), Nordea will be a systematic internaliser.

## **5. Benchmarking and monitoring**

Nordea applies a governance framework and control process for monitoring the effectiveness of execution arrangements for FX products. This implies assessing the requirements of this policy, the associated products covered, providing fair OTC prices (qualitatively and quantitatively) as well as assessing the arrangements surrounding the order and RFQ handling processes.

Prices are benchmarked to reference data applicable for the relevant instrument or underlying exposures where possible. Where no directly applicable reference data of sufficient quality is available, Nordea's internal valuation models are used.

# Execution Policy Appendix

## Investment products

*1 January 2018*

### **1. Products in scope**

This appendix to Nordea's Execution Policy provides further details regarding the application of Best Execution requirements in relation to investment products (IPs). IPs are structured products – defined as a note with an embedded derivative in the form of structured credit, structured equity, complex rate risk, FX risk or any combination/hybrid of these. IPs can be issued by Nordea or another issuer and arranged by Nordea or another arranger.

### **2. The order/quote handling process**

Nordea deals in IPs with clients through the receipt of orders or request for quotes (RFQ). Nordea may, at its discretion, refuse to accept any order or RFQ for any reason and will not be obliged to execute any order.

#### **RFQ**

An RFQ is a request from a client for Nordea's price for a specific IP. Nordea accepts RFQs for IPs via the following channels:

- voice or chat
- electronically via multi-dealer platform

Nordea will provide Best Execution of RFQs by pricing the transaction fairly and as soon as practicable for the specified volume and underlying given current market conditions.

#### **Orders**

Nordea accepts orders electronically from clients for IPs that Nordea has manufactured and which are listed on an exchange.

Nordea accepts the following types of orders from clients for IP products:

- Market orders. Market orders are orders from the client to execute a transaction in a given financial instrument for a specific size and direction at the current market price.

Nordea will provide Best Execution of market orders by immediately routing the client's order to the exchange where the IP is listed.

- Limit orders. Limit orders are orders from the client to buy or sell a volume of a given financial instrument at a specified limit price.

Nordea will provide Best Execution of limit orders by immediately routing the client's order to the exchange where the IP is listed.

### **3. Prioritisation of Best Execution factors**

To achieve Best Execution of IPs, Nordea will take into account the execution factors prioritised in the below order. Nordea will generally focus on optimising the first three factors (likelihood, price, and size) when dealing in IPs and may change the order of importance depending on the characteristics of the specific transaction or instructions from the client. For non-professional clients Nordea will provide Best Execution assessed on the basis of total consideration, representing the price of the IP and the costs relating to execution.

1. Likelihood of execution and settlement
2. Price
3. Size
4. Costs
5. Speed
6. Nature of the transaction or any other considerations relevant to the execution of the transaction.

### **4. Execution venues used**

The execution venue can either be Nordea or electronic venues where clients access our liquidity.

Nordea largely trades IPs on a principal basis. When accepting and routing client orders to the exchange where the IP instrument is listed, Nordea will act as broker but may also be the principal when the transaction is executed on the exchange.

A list of venues where Nordea's IP clients can access our liquidity electronically can be found here <https://nordeamarkets.com/trade-conditions/>

## **5. Benchmarking and monitoring**

Nordea applies a governance framework and control process for monitoring the effectiveness of execution arrangements for IPs. This implies assessing the requirements of this policy, the associated products covered, providing fair OTC prices (qualitatively and quantitatively) as well as assessing the arrangements surrounding the RFQ handling process.

Prices are benchmarked to reference data applicable for the relevant instrument or underlying exposures where possible. Where no directly applicable reference data of sufficient quality is available, Nordea's internal valuation models are used.

# Execution Policy Appendix

## Listed equity derivatives

*1 January 2018*

### **1. Products in scope**

This appendix to Nordea's Execution Policy provides further details regarding the application of Best Execution requirements and explains the arrangements in place when handling transactions in relation to listed derivatives products. This includes the following products:

- listed equity futures (including look-alikes traded via own book)
- listed equity options (including look-alikes traded via own book).

### **2. The order/quote handling process**

Nordea deals in listed equity derivatives products with clients mainly through phone, Bloomberg chats or via electronic communication lines. This means that a limited range of order routing solutions and order routing strategies can be applied and specific agreements for dealing such instruments are required per client.

Orders from non-professional clients typically received via phone are considered limited in size and if not considered complex they are transmitted electronically following a pre-defined order routing logic with a low degree of manual interaction. Similar orders received via electronic communication lines based on financial information exchange (FIX) standards from Professional clients will also follow a pre-defined order routing logic with low touch interaction.

More complex orders received either directly, via electronic communication lines based on FIX standards or via recorded phone calls and/or including specific instructions will be handled by specialised sales trading units.

**Nordea accepts the following types of orders:**

- Market orders (also referred to as immediate orders) are orders ready for

execution, filling the request. They include standard block orders which are large in size.

Nordea's Best Execution arrangements apply to all the above order types and subsequent transactions in listed equity derivatives instruments where Nordea as an agent transmits orders or in a principal capacity executes orders on behalf of our professional and non-professional clients.

- Limit orders, trigger orders (including stop-loss orders) or orders with specific instructions are orders where the price or other considerations are defined by the client, with controls in place as to when to execute the order. Nordea will provide Best Execution of limit, trigger and specific instructions orders by following the instructions as far reasonably possible in accordance with those instructions. However, specifics of the instructions may prevent us from taking the steps that we have put in place to obtain the best possible result for execution of the order.

Professional clients using Nordea's Direct Electronic Access or Direct Market Access service, which allow clients to use Nordea's trading infrastructure, may place orders with a higher degree of complexity and the arrangements for their execution are specifically adapted for that. The Direct Electronic Access and Direct Market Access arrangements include access to more order types and routing strategies and require separate agreements with Nordea. Best Execution applies except if the client specifies how execution is to take place or restricts execution.

#### **Nordea accepts Requests for Quotes (RFQs)**

- Requests for quotes (RFQs) from professional clients are received via phone or Bloomberg chats, and tailoring of the product depends on the specific client needs. Specific valuation and pricing of the listed equity derivatives is provided based on a systematic monitoring of the relevant underlying factors constituting the specific instrument. Upon acceptance of the RFQs the orders are executed via Nordea's own book. Nordea does not consider Best Execution applicable for RFQs for listed equity derivatives products as RFQs are initiated by the client and there is a transparent market practice and multiple competing investment firms are involved in the RFQ process. Nordea strives to provide fair and competitive OTC prices throughout the RFQ process.



### **3. Prioritisation of Best Execution factors**

To achieve Best Execution of listed equity derivative instruments Nordea will take into account the execution factors prioritised as described below.

The execution factor “Likelihood of settlement” is generally not considered to be a significant factor in equity markets and not listed below as settlement follows formal clearing procedures or is otherwise organised to facilitate timely settlement where Nordea holds a membership. When using brokers for the execution, settlement takes place bilaterally and Nordea holds responsibility for such settlement.

#### **Prioritisation of execution factors for Non-professional clients’ orders**

For Non-professional clients the total consideration, ie price including costs, constitutes the provision of Best Execution and orders are executed immediately at the best available price. Other execution factors may be given precedence to total consideration only insofar as they are incremental in delivering the best possible result in terms of total consideration.

#### **Prioritisation of execution factors for Professional clients’ orders**

For professional clients the relative importance of the execution factors differs from the above as such clients’ orders typically involve larger volumes and higher complexity, implying that price (ex costs) and size have higher relative importance. Higher complexity execution could for example be orders that potentially have a market impact and could affect prices if routed directly or other considerations such as the liquidity of the underlying instrument and the maturity of the transaction.

This means that the relative importance of the execution factors may be applied in the below order if no other considerations are influencing the execution:

1. Price
2. Size
3. Other considerations / cost
4. Speed
5. Likelihood of execution.

### **4. Execution venues used**

Nordea is a member of the Nordic trading venues (exchanges) for execution of listed equity derivatives. Further, Nordea uses brokers on markets where we are not a member, eg for non-Nordic listed equity derivatives execution.

Nordea can also execute listed equity derivatives orders via Nordea's own book as principal trading. This execution is specifically taken into account for risk facilitation of large or complex Professional orders and not applicable for Non-professional orders. Nordea does not expect to act on a frequent and systematic basis as systematic internaliser in such trading.

Through Nordea's governance framework with monthly meetings and assessment of the execution set-up, Nordea assesses whether the execution venues and brokers included in this appendix provide the best possible results for our clients.

### **Venue review**

Nordea reviews the exchange venue memberships annually in order to assess the level of quality of execution Nordea can achieve on these venues. Nordea assesses several factors but attaches the highest relative importance to qualitatively parameters such as coverage of instrument classes in the relevant market and system set-up as well as quantitative levels of prices via transaction cost analysis (TCA), available liquidity and clearing schemes possible to achieve.

### **Broker review**

Nordea also reviews the external brokers annually using a combination of quantitative transaction cost analysis (TCA) and qualitative evaluation through meetings with and documentation on the selected brokers.

A full list of our memberships and third-party brokers can be found at <https://nordeamarkets.com/trade-conditions/>

## **5. Benchmarking and monitoring**

Nordea applies a governance framework and control process for monitoring the effectiveness of order execution arrangements for listed equity derivatives. This implies assessing the execution policy and this appendix, the associated products covered, qualitative and quantitative execution factors as well as assessing the arrangements surrounding the order handling process and the venues and brokers used.

A transaction cost analysis (TCA) tool is used for benchmarking the execution price against market prices in order to verify execution at the best available prices at the time of execution. This verification is done by live monitoring and post-trade monitoring of execution strategies across time for specific customer segments, venues or brokers.

On a regular basis the quality of the execution prices is evaluated and necessary changes in order to improve the execution prices obtained are considered. The general quality of

the execution prices and comments to monthly TCA reports are reported to management at Nordea Equities, which also constitutes the escalation process for any required corrections in the set-up.

An execution summary report is further made publicly available on a yearly basis and is updated on a monthly basis. This report can be found at

<https://www.nordea.com/en/our-services/policiesandsupport/policiesforinvestmentservices>

# Execution Policy Appendix

## OTC equity derivatives

*1 January 2018*

### **1. Products in scope**

This appendix to Nordea's Execution Policy provides further details regarding the application of Best Execution requirements and explains the arrangements in place when handling transactions in relation to OTC equity derivatives, which are derivatives tailored by Nordea and not listed. This includes the following products:

- equity total return swaps (TRS)
- equity forwards and equity options (where Nordea acts as principal in the transactions and which are not look-alikes to listed derivatives)
- equity variance swaps, equity dividend swaps and equity correlation swaps.

### **2. The order/quote handling process**

Nordea deals in OTC equity derivatives with clients through phone or Bloomberg chats. This means that a limited range of order routing solutions and order routing strategies can be applied and specific agreements for dealing such instruments are required per client. Nordea accepts the below types of orders:

- Market orders (also referred to as immediate orders) ready for execution, filling the request from clients, are typically received via phone and are considered limited in size. They follow a standardised valuation/pricing model and order execution. All market orders are executed against Nordea's own book.

Nordea's Best Execution arrangements apply to all transactions in OTC equity derivatives where Nordea in a principal capacity executes orders on behalf of our professional and non-professional clients.

- Requests for quotes (RFQs) from professional clients are received via phone or

Bloomberg chats, and tailoring of the product depends on the specific client needs. Specific valuation and pricing of the OTC equity derivatives is provided based on a systematic monitoring of the relevant underlying factors constituting the specific instrument. Upon acceptance of the RFQs the orders are executed via Nordea's own book.

Nordea does not consider Best Execution applicable for RFQs for OTC equity derivatives products as RFQs are initiated by the client and there is a transparent market practice and multiple competing investment firms are involved in the RFQ process. Nordea strives to provide fair and competitive OTC prices throughout the RFQ process.

### **3. Prioritisation of Best Execution factors**

To achieve the best possible results for clients trading OTC equity derivatives products, Nordea will take into account the execution factors prioritised in the below order.

#### **Prioritisation of execution factors for Non-professional clients' orders**

For Non-professional clients the total consideration, ie price including costs, constitutes the provision of Best Execution and orders are executed at the best available price and total consideration. Other execution factors may be given precedence to total consideration only insofar as they are incremental in delivering the best possible result in terms of total consideration.

#### **Factors of consideration for Professional clients' orders**

For professional clients multiple considerations are at play for OTC equity derivatives transactions as they often include tailored aspects, however generally, an important execution factor is the execution price of the OTC equity derivative and funding costs. Further factors such as liquidity of the underlying, maturity of the derivative and counterparty credit risk are of importance due to the fact that they define the production cost for Nordea.

This means that the relative importance of the execution factors may be applied in the below order if no other considerations are influencing the execution:

1. Price
2. Cost
3. Size
4. Speed
5. Likelihood of execution and settlement

6. Nature or any other consideration relevant to the execution of a transaction.

#### **4. Execution venues used**

Nordea will execute OTC equity derivatives orders on a principal basis; hence the execution venue will be Nordea. However, Nordea does not act as a systematic internaliser, trading on a substantial and frequent basis from its own book towards clients in OTC equity derivative instruments but rather acts on an ad hoc and infrequent basis.

#### **5. Benchmarking and monitoring**

Nordea applies a governance framework and control process for monitoring the effectiveness of order execution arrangements for OTC equity derivatives. This implies assessing the execution policy and this appendix, the associated products covered, providing fair OTC prices as well as assessing the arrangements surrounding the order handling process.

Fair OTC equity derivatives prices are constructed based on a systematic monitoring and valuation of the underlying factors, such as the applicable funding cost, liquidity of the underlying instruments, maturity of the derivative and counterparty credit risk. Prices are systematically benchmarked pre-trade to reference data applicable for the relevant instrument or underlying exposures where possible, however, for some tailored instruments there are no directly applicable reference data available. In these cases only Nordea's internal valuation models are used, which are subject to ongoing reviews.

On a regular basis the execution quality is evaluated and necessary changes in order to improve execution quality are considered. The general execution quality and comments are reported to management at Nordea Equities, which also constitutes the escalation process for any required corrections in the set-up.

An execution summary report is further made publicly available on a yearly basis and is verified on a quarterly basis. This report can be found at <https://www.nordea.com/en/our-services/policiesandsupport/policiesforinvestmentservices>

# Execution Policy Appendix

## Securities borrowing and lending

*1 January 2018*

### **1. Products in scope**

This appendix to Nordea's Execution Policy provides further details regarding the application of Best Execution requirements and explains the arrangements in place when handling securities borrowing and lending transactions (SBL transactions). This includes the following products:

- SBL transactions.

### **2. The order/quote handling process**

Nordea conducts SBL transactions with clients through phone, email and Bloomberg chats. This means that a limited range of order routing solutions and order routing strategies can be applied and specific agreements for dealing such instruments are required per client. Nordea accepts the below types of orders:

- Market orders (also referred to as immediate orders) ready for execution, filling the requests from clients, are typically received via phone and are considered limited in size. They follow a standardised valuation/pricing model and order execution. All market orders are executed against Nordea's own book.  
Nordea's Best Execution arrangements apply to all SBL transactions where Nordea in a principal capacity executes orders on behalf of our professional and non-professional clients.
- Limit orders or orders with specific instructions are orders where the price or other considerations are defined by the client, with controls in place as to when to execute the order.  
Nordea will provide Best Execution of limit, trigger and specific instructions orders by following the instructions as far reasonably possible in accordance with those instructions. However, specifics of the instructions may prevent us from taking the steps that we have put in place to obtain the best possible result for execution of the

order.

- Requests for quotes (RFQs) from professional clients are received via phone and transaction quotes are tailored to fit the specific client requests. Specific valuation and pricing of the SBL transactions is provided based on a systematic monitoring of the relevant underlying factors constituting the specific instrument. Upon acceptance of the RFQs the orders are executed via Nordea's own book. Nordea does not consider Best Execution applicable for RFQs for SBL products as RFQs are initiated by the client and there is a transparent market practice and multiple competing investment firms are involved in the RFQ process. Nordea strives to provide fair and competitive SBL prices throughout the RFQ process.

### **3. Prioritisation of Best Execution factors**

To achieve the best possible results for SBL transactions Nordea will take into account the execution factors prioritised in the below order.

#### **Prioritisation of execution factors for Non-Professional clients' orders**

For Non-professional clients the total consideration, ie price including costs, constitutes the provision of Best Execution and orders are executed at the best available price and total consideration. Other execution factors may be given precedence to total consideration only insofar as they are incremental in delivering the best possible result in terms of total consideration.

#### **Factors of consideration for Professional Clients' orders**

For professional clients multiple considerations are at play for SBL transactions as they often include tailored aspects affecting the price (see below). Further, factors such as likelihood of settlement and transaction cost are also of relatively high importance because many clients use SBL transactions to secure coverage of short positions.

This means that the relative importance of the execution factors may be applied in the below order if no other considerations are influencing the execution:

- Price (ie loan fee or interest rate of the SBL transaction)
  - Value of the loan
  - Stability of the transaction (duration), short term vs long term
  - Client credit quality and netting status and collateral criteria
  - Portfolio or market constraints
- Likelihood of settlement
- Transaction cost



- Size, ie the availability of lendable securities
- Speed

#### **4. Execution venues used**

Nordea will execute SBL transactions on a principal basis; hence the execution venue for client transactions will be Nordea.

Further, Nordea can use EquiLend for borrowing and lending transactions.

#### **5. Benchmarking and monitoring**

Nordea applies a governance framework and control process for monitoring the effectiveness of order execution arrangements for SBL transactions. This implies assessing the execution policy and this appendix, the associated products covered, providing fair OTC prices as well as assessing the arrangements surrounding the order handling process.

Nordea reviews its model for SBL pricing on a regular basis. As SBL transactions are traded OTC, the review and monitoring of Best Execution will be followed up on through an internal model where Nordea takes both quantitative measures, eg the average stock loan fee for specific instruments in Nordea's principal book, and qualitative factors affecting the price of an SBL transaction into account. Nordea further compares the average principal book transactions to the average eligible client portfolio or, if no eligible average loan fees exist in Nordea principal book, the reported average loan fees reported in market vendor statistics for a period of 30 days.

As part of the execution model the settlement ratio/ failed ratio at counterparty level is considered to affect execution. Nordea therefore monitors the ratio of timely settlement of executed stock loans on a regular basis. Further, the frequency of the turnover of the loan and stability of the loan transactions are measured and followed on a regular basis. A shorter duration of the loan positions triggers higher transaction costs in the SBL chain and also reduces the collateral reuse value for the positions.

These models are reviewed and scrutinised annually and the results are reported within Nordea, which also constitutes the escalation process for any required corrections in the set-up.