

Execution principles

Principles for executing orders for financial instruments

A. Preliminary remarks

Scope

1. These principles apply to the execution of orders issued by a private or professional client (the “Client”) of Commerzbank International S.A. (the “Bank”) for the purpose of buying or selling securities or other financial instruments (e.g. transactions on futures exchanges). Execution in this sense means that the Bank, acting on the basis of the client order, conducts a transaction with another party on a suitable market for the client’s account (commission-based transaction). If the Bank and the Client conclude a purchase agreement for financial instruments directly (fixed-price transaction), No. 8 shall apply. Asset management execution principles shall also apply to asset management.

Purpose of order execution

2. Client orders can be executed at various execution venues, e.g. on exchanges or other execution venues, in Germany or abroad, via floor or electronic trading. The following sections describe the execution methods and venues for important types of financial instruments that generally provide for the best execution in the Client’s interest. The Bank shall therefore use these methods and venues when executing the Client’s orders.

3. In determining specific execution venues, the Bank assumes that the Client’s prime objective is to realize the best price possible – taking into account all costs associated with the transaction. As securities are generally subject to fluctuations in price, making it impossible to rule out price movements to the detriment of the Client after an order has been issued, priority shall be given to execution venues where the order is likely to be executed completely and promptly. The Bank will also consider other relevant criteria in conjunction with the above (e.g. market climate, security of processing etc.).

Priority of instructions

4. The Client can issue instructions to the Bank specifying the execution venues where the Client’s order is to be executed. These instructions shall take precedence over these execution principles.

Note: In such cases, the Bank will not execute the order in accordance with the present principles of best execution.

5. If the Client issues a discretionary order to the Bank, this order shall constitute an instruction. A discretionary order is an order that allows the Bank to decide when to buy or sell based on execution limits set by the Client, which the Bank executes taking into account prevailing market conditions. Unless there is a client instruction to the contrary, a discretionary order always includes the instruction to avoid creating pre-trade transparency when placing limit orders.

Routing orders

6. If the Bank does not have direct access to an execution venue, it shall not execute the Client’s order itself, but shall route it to another financial services company for execution while ensuring compliance with these principles.

Diverging from these execution principles in isolated cases

7. If extraordinary market conditions or a market disruption make it necessary to diverge from these execution principles, the Bank shall execute the order in the Client’s interest. The Bank can refuse to accept an order in isolated cases if the order cannot be executed promptly.

Fixed-price transactions

8. This execution principle shall only apply if the Bank and the Client enter into a contract of sale with one another for financial instruments at a fixed or determinable price (fixed-price transaction).

The price of fixed-price transactions includes fees, charges and the Bank’s trading margins. The order is not executed as described above. Instead, the Bank and the Client are obliged by the contractual agreement to deliver the financial instruments and pay the purchase price. This shall apply, mutatis mutandis, if the Bank offers securities for subscription, or if the Bank and the Client conclude agreements with one another concerning financial instruments (e.g. OTC derivatives) that are not traded on an exchange.

If a financial instrument is traded at an execution venue to which the Bank has access, the Bank shall also accept orders based on instructions for execution at this venue.

The following execution principles specify the types of financial instruments for which the Bank regularly offers to conclude fixed-price transactions.

B. Execution principles for various types of financial instruments

1. Interest-bearing securities

The Bank offers the option of buying interest-bearing securities (including zero coupon bonds) directly from the Bank or selling them back to the Bank. Clients can enquire at the Bank as to the current offering, including the price. Clients buy and sell interest-bearing securities at a fixed price agreed with the Bank (fixed-price transaction).

If a transaction is not conducted at a fixed price, the Client must issue instructions regarding the execution venue. If the Client does not issue instructions, the order shall be routed to a German floor trading exchange selected by the Bank. If the order cannot be executed in Germany, the Bank shall route the order to a suitable foreign exchange.

2. Equities

The Bank executes orders in the segments specified below at the following execution venues:

| | |
|---------------------------------------|--------|
| DAX, MDAX, TecDAX and SDAX securities | Xetra* |
|---------------------------------------|--------|

For orders placed after 5:30 p.m. (the close of trading on the Xetra exchange), the Bank is awaiting Client instructions regarding the execution venue.

| | |
|-----------------------|--------------------------------|
| Other German equities | German floor trading exchanges |
|-----------------------|--------------------------------|

| | |
|--|--------------------------------|
| Other securities listed in Germany (excluding EuroStoxx50) | German floor trading exchanges |
|--|--------------------------------|

Clients must issue instructions for orders in these foreign securities of EUR 10,000 (or the equivalent) or more, as, depending on market conditions, the Bank cannot guarantee best execution in every case at the specified domestic execution venues.

| | |
|--|---|
| EuroStoxx50 securities (non German securities) | German floor trading exchanges |
| Non German securities not listed in Germany | Suitable foreign trading venue (generally the security's home exchange) |

The Bank also offers fixed-price transactions for selected equities. This service can be limited to individual sales channels.

3. Units in investment funds

Note: The issue of investment fund units at the issue price and their redemption at the redemption price in accordance with the Investment Act is not subject to the legal provisions regarding best execution of client orders.

The Bank generally executes orders to buy and sell investment fund units directly or indirectly via investment funds.

Notwithstanding the above, the Bank also executes orders in the segment specified below at the following execution venues:

| | |
|----------------------|--------|
| Exchange-traded fund | Xetra* |
|----------------------|--------|

If investment funds are traded at an execution venue to which the Bank has access, the Bank shall also accept orders based on instructions for execution at this venue.

4. Certificates and warrants

The Bank offers certificates and warrants for subscription or purchase (and, if necessary, for redemption) at a fixed price (fixed-price transaction). If a transaction is not conducted at a fixed price, the Client must issue instructions regarding the execution venue. If the Client does not issue instructions, the order shall be routed to a German floor trading exchange selected by the Bank.

* The Bank reserves the right to execute orders via Xetra BEST, provided that this does not cause adverse effects for the Client.

5. Financial derivatives

The Bank executes orders for financial derivatives that are traded on futures exchanges at standardised terms and conditions at the following venues:

| | |
|-----------------------------------|---|
| Transactions on futures exchanges | appropriate futures exchange depending on contract availability |
|-----------------------------------|---|

If a contract is offered on more than one futures exchange, the Client must issue instructions to the Bank regarding the execution venue.

Transactions involving over-the-counter derivatives, such as forward foreign exchange transactions, interest rate swaps and securities loans, shall be agreed individually by the Bank and the Client (fixed-price transaction). The substance and terms of the agreement shall be determined on the basis of the individual transaction when the agreement is concluded.

Depending on the financial instrument, special conditions or agreements may apply to derivatives (see Special Conditions for Futures Transactions, German Master Agreement for Financial Derivative Transactions).

6. Foreign depositories

Notwithstanding the principles specified above regarding the selection of execution venues, financial instruments can only be sold in the country in which the securities are being held in safe custody.

7. German execution venues

Xetra is the electronic trading system for the spot market for Deutsche Börse AG.

The exchanges in Berlin, Hamburg, Hanover, Düsseldorf, Frankfurt, Stuttgart and Munich, including the over-the-counter operations of each exchange, are the German floor trading exchanges. Determining which German floor trading exchange to use depends on a number of factors, including whether the security is listed on the exchange, the type of listing etc.

Execution principles for asset management

Scope

1. These special principles for executing orders apply to private and professional clients (the “Clients”) who have concluded an asset management agreement with Commerzbank International S. A. (the “Bank”) and to orders issued by the Bank as part of an adjustment of the total allocation of client custody accounts or by Clients as part of major individual disposals of one or more custody accounts and issued on the market as block orders.
2. The Bank’s general execution principles shall apply to the execution of orders by the Bank on behalf of Clients as part of minor disposals.

Order execution

3. When it executes orders, the Bank uses both its captive trading offices and external intermediaries. The Bank chooses its own trading offices or external intermediaries according to which one can provide the best execution in the Client’s interest. As part of the selection process, the Bank reviews the intermediary’s execution principles, if necessary.
4. When choosing between the Bank’s trading offices or an intermediary for an order, the Bank assumes that the Client’s prime objective is to realize the best price possible – including all costs associated with the transaction. In addition, the Bank takes into account whether block orders can be executed completely and promptly, as well as other relevant criteria (such as the intermediary’s expertise with a particular group of financial instruments or market segment, the speed of order execution, settlement procedures etc.).
5. The Bank generally issues a discretionary order in which it sets execution limits and the trading office or intermediary decides how best to execute the order based on prevailing market conditions. The Bank can also give the trading office or intermediary comprehensive instructions regarding execution.
6. Orders can be executed over the counter in full or in part, and they can be executed against the Bank or an intermediary.

Combining orders

7. The Bank shall bundle buy or sell orders for the custody accounts of several clients and execute them as block orders if the order volume, type of security, market segment, current market liquidity and price sensitivity of the security being traded appear to make it advisable to do so in the interest of the Clients.
8. Please note that combining orders may be disadvantageous for an individual order.
9. The Bank shall only combine orders if it is unlikely that individual Clients will be adversely affected. Furthermore, the Bank shall allocate combined orders in accordance with regulations and its principles for allocating orders.

Diverging from these execution principles in isolated cases

10. If extraordinary market conditions or a market disruption make it necessary to diverge from these execution principles, the Bank shall execute the order in the Client’s interest.