

## Customer Information on Investment Transactions



## Imprint

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Design: DAMM & BIERBAUM  
Agentur für Marketing und Kommunikation GmbH

Last update: 26 November 2021

# Execution Policy Applying to the Execution of Orders in Financial Instruments of Landesbank Hessen-Thüringen

## A. General Principles

### 1. Scope of application

This Policy shall apply to the execution of orders which Private Individual Investors or professional clients (“client”) as defined in the German Securities Trading Act (WpHG) submit to the Bank for the purchase or sale of financial instruments (e.g. options). For the purposes of this Policy, execution shall mean that the Bank executes a corresponding execution transaction (Commission Business) on behalf of the client, on the basis of the client order and for the account of the client, with another party in an appropriate market (in accordance with section C.). If the Bank and the client directly conclude a purchase contract for financial instruments (fixed-price deal), section B. shall apply.

This Policy shall also apply, when the Bank in compliance with its obligations under an investment management agreement concluded with the client purchases or sells financial instruments for the account of the client.

The best execution policy is a constituent part of the Special Conditions for Dealings in Securities.

### 2. Execution venues

For the execution of client orders, the Bank makes a distinction between trading venues and execution venues, which are classified as follows:

- Trading venues:
  - Regulated markets
  - Multilateral trading facility (MTF)
  - Organised trading facility (OTF)
  - Equivalent trading venue in a third country
- Execution venues:
  - Systematic internaliser
  - Liquidity provider
  - “Market maker”

In the following, trading venues and execution venues are subsumed under the term “execution venue”.

### 3. Order execution

Client orders may as a rule be executed via various means of execution or in different execution venues. In the paragraphs below, the means of execution and possible execution venues for the respective financial instruments are described

(hereinafter: means of execution), where best execution in the interest of the client may as a rule be expected on a continuous basis and which the Bank will therefore use for the execution of orders submitted by the client. It is also at the discretion of the Bank to execute orders against the trading book of the Bank, if this does not adversely affect the achievement of best execution for the client.

If orders are split up at the instructions of the client and placed in several execution venues, the Bank decides on a case-by-case basis on the selection of the execution venues, in the proper exercise of its discretion.

### 4. Deviating execution on a case-by-case basis

Insofar as extraordinary market situations or a market disruption require any deviating execution, the Bank shall execute the client order in the interest of the client (section 384 HGB – German Commercial Code). In this connection, deviations with regard to the best price may result.

### 5. Factors influencing execution

The following factors are relevant in principle as regards the choice of execution venues:

- Price of the financial instrument
- Cost of order execution
- Speed of order execution
- Likelihood of order execution
- Order volumes
- Type of order
- Safety of settlement modalities

Depending on the financial instrument, some of the factors may be more important than other factors. A correspondent weighting of the factors is shown for the respective type of financial instrument in section C. The factors are defined below.

**Price of the financial instrument:** This refers to the current price and the resulting price for order execution (excluding the Bank’s own costs).

**Cost of order execution:** The execution of a client order in an execution venue as a rule causes costs (remuneration, commission fees, and costs of third parties). If the client and the Bank agree on execution within the scope of a fixed-price deal (in accordance with section B.), the transaction costs play a subordinated role in the selection of the execution venue.

**Speed of order execution:** The speed of execution denotes the period of time from the executability of a client order in the relevant execution venue until the issue of an execution confirmation by the execution venue. Due to the fact that securities are as a rule subject to price fluctuations and therefore an adverse development of prices to the disadvantage of the client cannot be excluded over time after the order has been placed, such execution venues are primarily taken into account where complete execution is probable and may be realized at short notice. Accordingly, the Bank prefers execution venues with high market liquidity.

**Likelihood of order execution:** The Likelihood of execution denotes the certainty with which a client order will actually be executed in an execution venue in its full order volume or to a large extent. This factor is of greater importance in the case of financial instruments with low market liquidity.

**Order volume:** This refers to the order volume underlying the client order. Insofar as the volume of the order suggests the necessity of deviating execution in the individual case, the Bank executes the order in the best interests of the client.

**Type of order:** This refers to the type of transaction of the client order and according to the market liquidity may result in different execution venues.

**Safety of settlement modalities:** Under the term 'safety of settlement', those factors are subsumed which shall ensure maximum investor protection:

- Organization of the stock exchange under public law and supervision by the relevant stock exchange supervisory agency
- Trading supervisory office as an independent body of the stock exchange. This will primarily supervise
  - Price fixings on the exchange
  - Compliance with execution guarantees (e.g. best-price principle)
  - Compliance with rules and regulations
  - Compliance with provisions of stock exchange laws and directives
- Sanctions committee as an independent stock exchange body
- Information services provided by the relevant execution venue
- Mistrade regulations of the relevant execution venue
- Execution guarantees in the rules and regulations applying at the execution venue (e.g. best-price-principle)
- Investor protection mechanisms in the rules and regulations applying at the execution venue
- Operational risks of delivery

## 6. Forwarding of orders

For the execution of orders, the Bank takes the possibility of routing through client orders to other market participants (hereinafter referred to as "Transmission Facilities") to achieve best execution in financial instruments in accordance with section C. If several Transmission Facilities may be taken into consideration, the Bank will take that the costs incurred for the routing through of the order from the point of view of the client into consideration when selecting the Transmission. These may differ according to the financial instrument concerned, the order volume and the country of execution. If several Transmission Facilities offer execution at equal costs, the Bank will make a decision in the proper exercise of its discretion.

## 7. Competing execution venues

Competing execution venues will be compared and assessed. In this connection, the commissions and costs incurred in connection with the execution of the client order in the individual execution venues will be taken into consideration.

## 8. Inducements

The Bank must not accept any remuneration or discount or non-monetary benefits for the execution of client orders in particular execution venues or for passing through client orders to a particular execution venue, if this would constitute a violation under the WpHG of the requirements laid down in section 3 subsections 1 to 7 and 9, section 64 subsections 1 and 5, sections 70, 80 section 1 sentence 2 No. 2, subsections 9 to 11 or of subsections 1 to 4.

## 9. Review of the policy

The Bank shall review this Execution Policy on an adhoc basis, at least however once a year. The Bank shall in addition review and amend this Execution Policy, if there are any indications that major criteria that have spoken in favour of a certain execution venue, no longer apply.

Within the scope of the regular review, the Bank will take into consideration the so-called Execution Quality Reports that are published at regular intervals by the relevant execution venues. The Bank will inform the client about any material amendments.

## 10. Execution outside a trading venue

The execution of orders outside a trading venue (in accordance with section A. item 2) entails additional risk. In particular, there is a counterparty risk which describes the possible default of the counter party during the period between payment and delivery (so-called payment delivery transaction) of a client order.

### **11. Publication concerning the most important execution venues (“Top-5 Report”)**

Once a year, the Bank will publish the five most important execution venues for each category of financial instruments on its website and keep these available for a period of two years.

## **B. Types of Order Execution**

### **1. Transactions governed by client instructions**

The client can give instructions to the Bank as to the execution venues in which its order shall be executed. Any such instructions given by the client shall take priority over this Execution Policy. When any such instructions are given, the Bank is relieved from the obligation to obtain the best possible result and the obligation shall then be deemed fulfilled according to the extent of the instructions.

Note: In this case, the Bank is not going to execute the order in accordance with these best execution principles. This fact will not be pointed out to the client in any individual case. In the event that express instructions are given by the client, the Bank cannot guarantee that best execution will be achieved.

### **2. Commission business**

In the case of commission business in accordance with the Special Conditions for Dealings in Securities, the Bank will mandate another market participant (order routing agent) as an intermediate commission agent for the conclusion of an execution transaction in its own name for the account of a third party. In particular in the case of client orders in financial instruments, for which the Bank takes an execution venue into consideration for achieving best execution to which it has no direct market access, it will avail itself of the services of an order routing agent.

### **3. Fixed-price deal**

A fixed-price deal is brought about when the Bank and the client conclude a purchase agreement for financial instruments at a fixed or ascertainable price. In this case, there will be no order execution in an execution venue. Rather, the Bank and the client are directly obliged in accordance with the contractual arrangement to supply the financial instruments owed and to pay the purchase price. In the case of fixed price deals, the earnings share of the Bank is included in the fixed price. No additional costs (e.g. brokerage, etc.) are incurred.

In particular orders for financial instruments that are not tradeable in any trading venue, such as for instance individual derivatives (bilateral derivative contracts) and securities in the subscription phase are concluded within the scope of a fixed-price deal.

Deals in financial instruments, which customarily are concluded in the form of commission business, may alternatively be concluded in the form of a fixed-price deal. The prerequisite is that the Bank maintains the financial instruments concerned in its proprietary portfolio or is authorized to include these in its proprietary portfolio.

Insofar as purchase or sale orders are executed within the scope of a fixed-price deal, this is done at market terms. The Bank shall ensure, in particular with regard to financial instruments that are customarily traded in the form of Commission Business, that the price quoted at the time of conclusion of the contract is up to date.

As regards the categories of financial instruments listed below, the execution venues or order routing agents specified in section D. apply.

## **C. Methods of Execution by Financial Instruments Category**

### **1. Equity instruments – stocks and stock certificates**

#### **Private Individual Investors**

For Private Individual Investors, the Bank will execute the client order in the form of a Commission Business in accordance with section 1.2 of the Special Conditions for Dealings in Securities. The Bank shall mandate Deutsche Wertpapier Service Bank AG (dwpbank) as an intermediate commission agent to conclude an Execution Transaction. In this connection, the Order Execution Policy established by dwpbank will apply. This Order Execution Policy as well as additional information may be retrieved from their website at: [www.dwpbank.de](http://www.dwpbank.de). Upon the request of the client, the Bank will provide this information in printed form. By passing on client orders for execution to dwpbank, we are pursuing the aim that best execution is consistently achieved when executing orders. By providing standardised processes that are geared to the needs and requirements of the Bank, dwpbank enables an effective and cost-efficient execution as well as processing and settlement of securities transactions. By bundling these factors at dwpbank, cost advantages in particular are achieved for the client.

#### **Professional clients**

In the case of professional clients and insofar as no fixed-price deal in accordance with section B. has been agreed upon between the Bank and the client, the Bank will execute the client order in the form of a Commission Business.

Of the execution factors specified in section A. item 5, the following are decisive:

- Likelihood of execution
- Speed of execution

The assessment of the likelihood of the execution and the speed of the execution is first and foremost based on the market liquidity which prevails in the respective execution venue.

Moreover, and in particular when there are ultimately several execution venues that are to be considered equivalent, the following factors will also be included in the consideration (in declining order of relevance):

- Price of the financial instrument
- Costs of the order execution
- Order volume
- Type of the order
- Security of execution

## **2. Exchange-traded products (exchange-traded funds and exchange-traded spot commodities products)**

The same methods of execution as described in section C. item 1 apply.

## **3. Investment funds (no stock exchange trading)**

On the basis of the legal provisions, the issue and redemption of investment fund units is not a subject matter of the Execution Policy. Issue or redemption is effected via the depositary.

## **4. (Exchange-trade) debt securities**

If the client approaches the Bank with the request for a price quote ("Request-for-Quote") and

- the Bank agrees to the submission of a price quote and
- the client wishes to conclude the deal at the terms and conditions specified,

a purchase agreement is concluded between the client and the Bank in the form of a fixed-price deal in accordance with section B.

Should the client not desire execution in the form of a fixed-price deal, or if the Bank is unable to execute the client order within the scope of a fixed-price deal, the client order will be executed in the form of a Commission Business in accordance with section B. in another execution venue.

Of the execution factors specified in section A. item 5, the following are decisive:

- Speed of execution
- Price of the financial instrument

The assessment concerning "speed of execution" is primarily based on the market liquidity that prevails in the respective execution venue.

## **5. Structured financial products**

For products whose prices are quoted per unit, the same methods of execution as described in section C. item 1 apply.

For products whose prices are quoted as a percentage, the same methods of execution as described in section C. item 1 apply.

## **6. Securitised derivatives (warrants and certificates)**

For products whose prices are quoted per unit, the same methods of execution as described in section C. item 1 apply. For products whose prices are quoted as a percentage, the same methods of execution as described in section C. item 1 apply.

## **7. Derivatives**

Futures contracts and options contracts that are admitted to trading in trading venues client orders in exchange traded futures and options contracts are executed in that trading venue, in which the respective contract is listed.

In this case, the Bank is not able to take any other execution venues or execution factors, respectively, into account, as no alternative execution venues are available for this category of financial instruments.

## **Interest rate derivatives, credit derivatives, currency derivatives and stock derivatives**

Moreover, the Bank offers non-standardised interest rate derivatives, credit derivatives, currency derivatives and stock derivatives (bilateral derivatives contracts). client orders in this bilateral derivatives contracts are individually agreed upon and traded between the Bank and the client within the scope of a fixed-price deal in accordance with section B.

## **8. Securities financing transactions (repos)**

Client orders in repos are individually agreed upon and traded between the Bank and the client within the scope of a fixed-price deal in accordance with section B.

## D. Overview of the Relevant Execution Venues

Financial Instrument	Region	Execution Venues	Utilisation of Order Routing Agent <sup>1</sup>
<ul style="list-style-type: none"> <li>■ Equity instruments – stocks and stock certificates</li> <li>■ Exchange traded funds</li> <li>■ Exchange traded commodity products</li> </ul>	Germany “German stock exchanges”	Xetra® Xetra® 2 + other trading venues	no no yes
	International	Stock exchange: London, UK Stock exchange: Paris, France Stock exchange: Amsterdam, Netherlands Stock exchange: New York, USA Stock exchange: Mailand, Italy Stock exchange: Madrid, Spain Stock exchange: Helsinki, Finland Stock exchange: Zurich, Switzerland + other trading venues	yes yes yes yes yes yes yes yes yes
(Exchange traded) debt instruments	Germany/ international	Landesbank Hessen-Thüringen Bloomberg MTF EuroMTS + other trading venues	no no no yes
Futures contracts and options contracts, which are admitted to trading in trading venues	Germany	Eurex	no
Futures contracts and options contracts, which are admitted to trading in trading venues	International	EURONEXT Chicago Mercantile Exchange (CME) Chicago Board of Trade (CBOT) Options Clearing Corporation (OCC) Singapore Exchange (SGX) Osaka Exchange (OSE) Australian Securities Exchange (ASX) ICE-LIFFE NASDAQ OMX-LIFFE + other trading venues	yes yes yes yes yes yes yes yes yes yes
Interest rate derivatives, credit derivatives, currency derivatives and stock derivatives		Landesbank Hessen-Thüringen	no
Securities financing transactions (repo)		Landesbank Hessen-Thüringen	no

<sup>1</sup> Regulated financial institutions/brokers

**Helaba**  
**Landesbank Hessen-Thüringen**

Neue Mainzer Strasse 52 – 58  
60311 Frankfurt am Main  
Germany  
T +49 69/91 32 - 01  
F +49 69/29 15 17

Bonifaciusstrasse 16  
99084 Erfurt  
Germany  
T +49 3 61/2 17 - 71 00  
F +49 3 61/2 17 - 71 01

[www.helaba.com](http://www.helaba.com)