



SMBC Group

Order Execution Policy

1 Purpose of this document

This Order Execution Policy (this “**Policy**”) explains how SMBC Bank International plc and Sumitomo Banking Corporation branches in the UK and EEA region (together “**SMBC Group**”, “**we**” and “**us**”) seek to provide best execution to clients and is drafted in accordance with regulatory requirements as set out in the Markets in Financial Instruments Directive 2014/65/EU and related secondary and implementing legislation, including without limitation the MiFID II Delegated Regulation 2017/565 (“**MiFID II**”) which relate to Best Execution (as defined below).

This Policy provides information regarding how transactions are executed and provides a general understanding of our dealing arrangements per product type in line with the Best Execution requirements as defined in MiFID II and National Competent Authorities (NCAs) rules (as applicable) based on the client classification for which you have received a notification letter from SMBC Group. Please note that this policy does not apply to eligible counterparties. SMBC Group is also subject to a general regulatory obligation to treat clients fairly and to manage any conflict of interest and as such we endeavour to deliver the best result to clients in all transactions. For any information on inducements please consult our Summary of Conflict of Interest policy.

2 Scope

This policy applies to Orders in Financial Instruments (see section 6) which are executed or transmitted for Clients classified by SMBC Group as Professional Clients. It also applies to Orders executed or transmitted for Clients classified as Retail Clients (SMBC Dusseldorf Branch only) please refer to section 7 for additional local information.

3 What is Best Execution?

Best Execution is the requirement under MiFID II and NCAs rules to take “all sufficient steps” to obtain, when executing orders, the best possible result for the client taking into account various execution factors relevant to the execution of an order. Best Execution requirements apply to “financial instruments” as defined in MiFID II. The execution factors include:

- Price – the price at which a financial instrument is executed
- Costs of execution – the implicit costs such as the possible market impact, explicit external costs e.g. exchange or clearing fees and explicit internal costs which represent our own remuneration through commission or spread
- Speed of execution – the time it takes to execute a client transaction
- Size of the order – the size of the transaction executed for a client accounting for how this affects the price of execution
- Nature of the transaction and/or market – the particular characteristics of a client transaction can affect how Best Execution is received
- Likelihood of execution and settlement – the likelihood that we will be able to complete a client transaction and the likelihood that the transaction settles
- Creditworthiness of the counterparties



- Any other relevant consideration to the execution of the order

For professional clients and, generally, for all products where Best Execution applies (see section 6), we consider that the price is the most important factor. However there may be some circumstances, when coming to our determination of the priority of such execution factors, that a variety of criteria are taken into account which may include, but are not limited to, the type of financial instrument that is the subject of the order, the type of order and its specific characteristics, such as the size of the order or the liquidity of the underlying, as well as the execution venues to which the order could be directed and upon which the SMBC Group may place significant reliance. Appropriate consideration will be made based on a transaction by transaction basis and will vary by asset class.

Retail clients (SMBC Dusseldorf Branch only) please refer to section 7 for additional local information.

4 When does Best Execution apply?

Best Execution requirements apply to financial instruments orders that you have placed with SMBC Group. However, SMBC Group will only be able to trade with you in a limited number of financial instruments, namely foreign exchange derivatives ("FX derivatives"), interest rate derivatives and money markets instruments. Those transactions with you will be dealt over-the-counter (OTC) and therefore the relevant SMBC Group entity will be your counterparty to these transactions (we will be your execution venue).

To determine whether we owe you a duty of Best Execution in relation to any orders, please refer to the section 7 of this Policy (Additional local information for our offices and notification for related customers).

Specific instructions

To the extent that you provide specific instructions in relation to every aspect of a transaction, such that we have no discretion over how an order is executed and what specific factor you will indicate, we will execute the transaction as far as reasonably possible in accordance with those instructions and, by doing so, satisfy our obligation to provide Best Execution in relation to the order. In case such specific instruction is received, this Order Execution Policy is not applicable in respect of the execution factors specified by you. This includes, for example, leave orders and limit orders.

5 Execution Venue

The factors affecting choice of execution venue are: financial instrument, costs, price, the need for timely execution, market liquidity, and the size and nature of the order.

Our choice of venue may be constrained by the fact that there may be only one venue where an order can be executed due to the nature of the instrument, your order or your requirements. When we are executing financial instruments OTC this could have certain consequences (i.e. for the counterparty risk) as the relevant SMBC Group entity will be your execution venue.

6 Products where Best Execution applies

FX DERIVATIVES BUSINESS

We offer pricing and execution capabilities for hedging and risk management in derivative products in most of the cases to hedge specific exposures as identified by clients.



All our FX derivatives business is traded OTC. For all financial instruments that are traded OTC where SMBC Group entities act as counterparty to these transactions (please see section 8) we apply models for pricing OTC derivatives that use relevant market data, which has been gathered by us by comparing with similar or comparable products.

Please also refer to section 8 for further information.

Mark-Ups and fees

In FX derivatives which are quote driven markets we, in common with our peers, do not charge an explicit commission but apply a mark-up or spread between prices that is charged to clients for the purchase of a financial instrument and reflects prices that we have had to pay to hedge the same instrument. Typically we will apply a mark-up on the price that we have obtained from a market counterparty or where we are selling the instrument to you from our own book, on the price calculated by us. We will ensure that mark-ups and spreads applied on transactions where Best Execution is owed are reasonable, not excessive and within a range that we consider reasonable for the product type, tenor and size of the trade.

For FX derivatives we use the following three mediums to transact with you:

- Voice transactions over the telephone and transactions via electronic communication tools where we trade as principal with you
- Electronic transactions over an electronic platform or an MTF or an OTF and trade as riskless principal or principal. See below the list of platforms that we access to trade with you or source liquidity:
 - 360T;
 - FXall;
 - Bloomberg RFQ;
- Electronic platforms and voice brokers trading as principal or for hedging purposes.

Execution venue:

- SMBC Group entities for OTC trades are your execution venue

Execution Factors:

A variety of criteria are taken into account when assessing the relative importance of the execution factors for FX derivatives. Due to varying nature of each transaction and the differences in client preferences, these criteria may vary on a transaction-by-transaction basis. Generally, the factor we place most importance on will be price. However, in more illiquid markets the relative importance we give the execution factors may vary, for example, the size or likelihood of execution of the order may become more significant factors.

Where the client is deemed to be legitimately reliant on SMBC we would typically categorise the execution factors as follows for FX derivatives:

- Size of the investment business dealt with SMBC Group by product
- Liquidity level in the relevant market
- Tenor of products traded

Please also refer to section 7 for further regional specific information.

INTEREST RATES DERIVATIVES BUSINESS



For interest rate derivative products, we use our sister company SMBC Nikko Capital Markets Limited (“CM Ltd”) or SMBC EU AG and its Branches, to arrange and agree interest rates derivatives transactions on behalf of SMBC Group entities. CM Ltd and SMBC EU AG and its Branches primarily executes on a principal basis providing a risk price by facilitating request for quote (RFQ) from clients and responding to reverse inquiries; or facilitating request for proposal (RFP) from clients. CM Ltd and SMBC EU AG and its Branches primarily trades in a principal capacity providing responses to clients’ requests for quotes (RFQ) and therefore we act as a liquidity provider.

CM Ltd and SMBC EU AG and its Branches will apply the four-fold test to determine whether you are owed Best Execution

CM Ltd and SMBC EU AG and its Branches offers pricing and execution capabilities for hedging and risk management in derivative products and in many cases to hedge specific exposures as identified by clients.

All interest rates derivatives business is traded OTC. For all financial instruments that are traded OTC where SMBC Group entities act as counterparty to these transactions, CM Ltd and SMBC EU AG and its Branches applies models for pricing OTC derivatives that use relevant market data, which has been gathered by us.

Mark-Ups and fees

CM Ltd and SMBC EU AG and its Branches does not charge a commission but imposes a mark-up and fees where it executes trades in the market and where it executes them with clients. There is no agreed consistent mark-up and reasonableness is based on a number of factors such as, but not limited to, time of day, market conditions, order size, maturity of the transaction, and counterparty credit risk.

Generally, an important execution factor for our clients will be the price at which the relevant financial instrument is executed. As part of the price finding process for derivative transactions, CM Ltd and SMBC EU AG and its Branches will also take into consideration a number of other execution factors such as liquidity of the underlying, maturity of the transaction, counterparty credit risk and platform/technology dependencies.

However, depending on the complexity of the product, client engagement in creating the product/transaction and bespoke nature of the transaction, the primary execution factors may vary, with likelihood and speed of execution potentially being more important factors than price.

Where the client is deemed to be legitimately reliant on CM Ltd and SMBC EU AG and its Branches we would typically categorise the execution factors as follows for interest rates derivatives:

- Price
- Likelihood of Execution
- Size
- Costs
- Speed
- Other Considerations

Execution venue:

Orders in interest rates derivatives products placed with us will be negotiated and agreed by CM Ltd and SMBC EU AG and its Branches who will determine the strategy on handling your



order, based on the priority of execution factors and taking into account any particular criteria or instructions provided. As we trade Derivatives on a principal basis, the execution venue will usually be SMBC Group entities.

CM Ltd and SMBC EU AG and its Branches will look to hedge its risks through a variety of trading venues including brokers, exchanges and other dealers such as:

- 360T;
- Autobahn;
- Barx;
- Bloomberg FXGo;
- Bloomberg BBTI;
- OTC;
- Thompson Reuters FXAll ;
- Tradeweb ; and
- XTrader.

Execution Factors:

A variety of criteria are taken into account when assessing the relative importance of the execution factors for rates business. Due to the varying nature of each transaction and the differences in client preferences, these criteria may vary on a transaction-by-transaction basis. Generally, the factor we place most importance on will be price. However, in more illiquid markets the relative importance we give the execution factors may vary, for example, the likelihood of execution may become a more significant factor.

Where the client is deemed to be legitimately reliant on CM Ltd and SMBC EU AG and its Branches the execution factors would typically be categorised as follows:

- For interest rate products in liquid markets the execution factors are prioritised as follows:
 - Price
 - Size
 - Speed
- For interest rate products in illiquid markets the execution factors are prioritised as follows
 - Price
 - Size
 - Likelihood of execution

MONEY MARKETS BUSINESS

For transactions we trade with you, we will be the issuer and we will ensure the “fairness of the price” by gathering relevant market data in order to check whether the OTC price offered you is fair.

7 Additional local information for our offices and notification for related customers

SMBC Offices

SMBC offices include our offices in Belgium and Germany. The Japanese Financial Services Agency (JFSA) is the “home” regulator of SMBC and has a shared responsibility for regulating branches with the individual branch’s “host” regulator. Whilst the JFSA does not have direct responsibility for individual overseas subsidiaries, it does regulate them indirectly through its responsibilities for SMBC as a whole. In Belgium, SMBC is authorised and regulated by the National Bank of Belgium and regulated by the Financial Services and Markets Authority. In



Germany, our SMBC offices are authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht and Deutsche Bundesbank.

Please note that SMBC Brussels does not provide investment services to retail clients as defined under MiFID II.

SMBC Bank International plc (“SMBC BI”) and SMBC BI Paris Branch

In the UK, SMBC BI is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. SMBC BI Paris Branch, a branch of SMBC BI, is supervised by the Autorité de Contrôle Prudentiel et de Résolution and Autorité des Marchés Financiers.

Please note that neither SMBC BI nor SMBC BI Paris Branch will provide investment services to retail clients as per our licence and authorisations..

United Kingdom specific disclosures

As set out in the rules of the Financial Conduct Authority (“FCA”) in particular, the provisions of the FCA’s Conduct of Business Sourcebook (“COBS”), a duty of Best Execution will apply to professional clients only where you legitimately rely on us to protect your interests or in other circumstances where we have expressly agreed to accept such a Best Execution obligation. The Best Execution obligation does not apply to clients that are categorised as eligible counterparties.

We will provide Best Execution when:

- Executing an order on your behalf (including request for quotes).
- Executing an order on your behalf where you have accepted a quote and if you are legitimately relying on us as determined by the four-fold test or if we are dealing on our own account.

To determine whether you are placing “legitimate reliance” on us, we will take into account a number of relevant considerations (referred as the **four-fold test**):

- **Whether you initiate the transaction.** When you initiate the transaction, it suggests that you are less likely to be placing reliance on us.
- **Market practice assessment and existence of a convention to shop around.** When there is a convention to shop around, you will be considered to have taken ownership for pricing and thus you are less likely to be placing reliance on us.
- **Relative levels of transparency within the market.** If we have ready access to prices in the market we operate in and you do not, you are more likely to be placing reliance on us.
- **The information provided by us and the terms of our agreements with you.** Where our arrangements and agreements (such as our terms of business and this Policy) state that we will not provide Best Execution, it is less likely that you will be placing reliance on us.

France specific disclosures

A duty of Best Execution as per MIFID II and AMF General Regulation will apply to professional clients only where you legitimately rely on us to protect your interests or in other circumstances where we have expressly agreed to accept such a Best Execution obligation. The Best Execution obligation does not apply to clients that are categorised as eligible counterparties.

We will provide Best Execution when:



- Executing an order on your behalf (including request for quotes).
- Executing an order on your behalf where you have accepted a quote and if you are legitimately relying on us as determined by the four-fold test or if we are dealing on our own account.

To determine whether you are placing “legitimate reliance” on us, we will take into account a number of relevant considerations (referred as the **four-fold test**):

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- **Market practice assessment and existence of a convention to shop around.** When there is a convention to shop around, you will be considered to have taken ownership for pricing and thus you are less likely to be placing reliance on us.
- **Relative levels of transparency within the market.** If we have ready access to prices in the market we operate in and you do not, you are more likely to be placing reliance on us.
- **The information provided by us and the terms of our agreements with you.** Where our arrangements and agreements (such as our terms of business and this Policy) state that we will not provide Best Execution, it is less likely that you will be placing reliance on us.

Belgium specific disclosures

This policy applies to all professional clients of SMBC Brussels. We will ensure that your order (including request for quotes) will be executed in the most favourable way for you and your transactions in those products within the scope of this Policy.

Germany specific disclosures

In addition to retail clients who are owed best execution, this policy applies to all professional clients of SMBC Dusseldorf. We will ensure that your order (including request for quotes) will be executed in the most favourable way for you and your transactions in those products within the scope of this Policy.

For retail clients we only consider the factors of price and costs (“Total Consideration”). Total Consideration is composed of the execution price of the financial instrument and of all costs directly or indirectly related to the execution of it.

8 Monitoring

Where the duty of Best Execution is provided, we will monitor the effectiveness of our execution arrangements and assess on a regular basis whether our arrangements provided the best possible results for orders we executed on your behalf. This will be done by gathering relevant market data to check whether the OTC prices offered to you are fair and whether it met our Order Execution Policy where applicable. Our governance framework and control processes through which we monitor are tailored to match the nature of the products we offer you and are based on the three line of defence model. A review of our order execution arrangements will be conducted both annually and whenever a material change occurs.

9 Governance

This Policy will be reviewed annually and upon any “material change” (i.e. change to the factors we apply for delivering Best Execution that affects our ability to continue to obtain the best possible result for you on a consistent basis using the venues included in this execution policy) resulting from the outcome of our monitoring process.



10 Consent

By giving us orders for execution after receiving this Policy, you will be deemed to have consented to having your orders handled by SMBC in accordance with this Policy, save to the extent that express consent is required in accordance with applicable law. We are required to obtain your prior express consent to executing orders outside a trading venue.

If we receive an order from a client that includes specific instructions in relation to the handling and execution of the order (such as requesting a particular execution venue, specifying a particular price or time, or requesting the use of a particular strategy) then subject to our legal and regulatory obligations, we will execute the client's order in accordance with these specific instructions. **Where clients provide specific instructions this may prevent us from obtaining the best possible result for the execution of the order in respect of the elements that are covered by the specific instruction.**

11 Material change

In the event of any material change to either (i) our order execution arrangements or (ii) this policy, you will be notified; it being specified that such a notification may be made via SMBC Group's website.

Please provide these consents and instructions by either:

- Contacting your Relationship Manager; or
- Sending an email with your consent to trade outside a trading venue or sending a request to get the consent form from your usual SMBC Group Contact

Please note that we may not be able to continue to execute orders on your behalf without these consents and instructions.