



MeDirect Bank (Malta) plc Best Execution and Best Selection Policy

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1 Introduction

With this document, MeDirect Bank (Malta) plc defines its policy for the execution of orders in the best interest of its clients (“Best Execution”). This policy has been established, implemented and will be maintained pursuant to, and in compliance with the EU Directive 2014/65/EU on Markets in Financial Instruments and its implementing rules and regulations (“MiFID II rules”), the MFSA Conduct of Business Rulebook, as well as with the MeDirect Bank policies and internal rules.

When executing or transmitting transactions in financial instruments, financial institutions are required by regulation to take all sufficient steps to obtain the best possible outcome for their clients. The purpose of this document is to provide guidance and define rules enabling the Bank to respect its Best Execution duties towards its clients and their transactions. This Policy thus outlines how the Bank provides information on its execution practices to its clients, how the Bank selects the intermediaries with whom it is working to execute orders, how the Bank ensures the Best Execution of the client orders and how the Bank complies with other governing rules and regulations on Best Execution.

In addition to this Policy, the Terms and Conditions of the Bank, as amended from time to time, shall apply to the execution of all orders and to the provision of services in general. In the event of any inconsistency or conflict between the provisions of this Best Execution Policy and any Terms and Conditions of the Bank, the present policy shall take precedence over these general Terms and Conditions.

2 Definitions

In addition to the terms defined in the Investment Services Terms and Conditions, the following definitions shall apply to this Best Execution policy, unless the context otherwise requires:

“Execution Factors” means those factors listed in section 5 of the present policy;

“Execution Venue” means a regulated market, an MTF, a systematic internaliser or a market maker or other liquidity provider or an entity that performs a similar function in a Third Country to the functions performed by any of the foregoing.

“Limit Order” means an Order to buy or sell an instrument at a specific price or better. A buy Limit Order can only be executed at the limit price or lower, and a sell Limit Order can only be executed at the limit price or higher. A client that requests a Limit Order

must be aware that he/she is giving up the certainty of immediate execution, in exchange for the expectation of getting an improved price in the future;

“Market Order” means an Order to buy or sell an instrument at the best available price. The price at which a Market Order will be executed is not guaranteed and will not necessarily match the indicative prices posted on the website of the Bank;

“Material Change” A change is material where its disclosure is necessary to enable the client to make a properly informed decision about whether to continue utilising the services of the Bank. In particular, the Bank shall consider the materiality of any changes it makes to the relative importance of the best Execution Factors or to the venues on which it places significant reliance in meeting the overarching best execution requirement;

“Multilateral Trading Facility” or **“MTF”** means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in instruments (in the system and in accordance with non-discretionary rules) in a way that results in a contract;

“Order” means an instruction to buy or sell an instrument which is accepted by MeDirect Bank (Malta) plc for execution or transmission to a third party;

“Organised Trading Facility” or **“OTF”** means a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of this Directive;

“Regulated Market” means a multilateral system operated and/or managed by a market operator which brings together or facilitates the bringing together of multiple third-party buying and selling interests in instruments (in the system and in accordance with its nondiscretionary rules) in a way that results in a contract, in respect of the instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly;

“Total Consideration” is the price of the financial instrument and the costs related to execution, including all expenses incurred by the client which are directly related to the execution of the Order such as venue execution fees and any other fees paid to third parties involved in the execution of the Order;

“Trading Venue” means a Regulated Market, an MTF or an OTF.

3 Scope of the Best Execution and Best Selection Policy

The Policy of the Bank is applicable to all orders in financial instruments as addressed to the Bank by its clients, irrespective of the type of client, the trading venue, the size of the order or any other parameter linked to the orders in financial instruments, and only limited by the scope of instruments the Bank provides access to, as detailed below.

3.1 Scope of investments services

The Bank offers a range of investment services to its clients, among which the present Policy covers:

- Reception and transmission of orders in relation to one or more financial instruments; and
- Execution of orders on behalf of clients.
- Investment advice
- Placing of financial instruments without a firm commitment basis

The present Policy details how and when the Bank entities deliver these investment services to its clients.

3.2 Scope of investments products

The Bank offers the above-mentioned financial services in respect of the following financial instruments:

- Equities;
- Bonds;
- Investment funds; and
- Exchange-Traded Funds (ETF).

This policy does not cover primary market transactions relating to new issues of shares or debt securities in the context of public or private placements, as the price is determined by the issuer.

4 Best Execution Factors

When executing orders, the Bank will take all sufficient steps to obtain the best possible result for the client taking into account the following parameters:

- Price and Implicit and Explicit Costs

- Speed
- Likelihood of execution and settlement
- Size
- Nature
- Any other consideration relevant to the execution of the Order (“Best Execution”).

For this purpose, the Bank will determine the relative importance of the Execution Factors (detailed under section 5 of the present document) by using its commercial judgment and experience in the light of market information available and taking into consideration the below criteria:

- the characteristics of the client Order;
- the characteristics of the financial instruments that are subject to that Order;
- the characteristics of the Execution Venues to which the Order can be directed (in particular OTC venues); and
- the prevailing level of liquidity at the time of execution.

In the context of this Policy, it is highlighted that the Bank entities offer investment services to non-professional (retail) clients in terms of MiFID, unless a client specifically requests to be treated as a professional client

4.1 Legitimate Reliance

Best execution is owed where the Bank executes Orders on behalf of clients where clients place legitimate reliance on the Bank to protect their interests in relation to pricing and other elements of the transaction. The Bank assumes that since it only services retail clients (unless a client specifically requests otherwise), legitimate reliance is always placed on the Bank, and therefore that best execution principle applies.

4.2 Specific Instructions

In case of a specific instruction received from a client, which contradicts part or all of the Bank’s arrangements to ensure Best Execution as detailed in the present Policy, the specific instruction will take precedence over the standard approach of the Bank. A specific instruction from the client is defined as an instruction of the client focusing on one or more of the execution criteria defined below. In case a client instructs the Bank to execute an order considering a specific execution factor, the Bank will, where possible, execute the order in accordance with this specific instruction, and the Bank will give priority to the specific instruction over all other relevant execution quality criteria. A specific instruction issued for a transaction is valid only for that single transaction.

The Bank accepts limit orders from clients. Limit orders are considered as specific instructions regarding the execution price, therefore subject to the Bank's policy on specific instructions as detailed here above.

Limit orders are usually immediately routed for execution. The Bank may in some cases delay the transmission of a limit order to protect the best interest of the client during tense market liquidity or price conditions. The delayed instruction may then be transmitted in full or gradually to the market.

5 Execution Factors for Achieving Best Execution

To determine the best way to execute an Order for a client the Bank considers:

- a. **the price** of the financial instrument – depending on the type of instrument and the liquidity of the market and the general availability of a quoting place, several venues may offer execution at varying prices;
- b. **the transaction costs** related to the execution of an Order (commissions, arrangement and clearing fees) which are charged to clients – even though the Bank generally works with fixed transaction costs for the client orders, there might be cases where non-fixed or additional costs are charged to the client;
- c. **the speed and likelihood of execution and settlement** – due to market volatility in terms of price and volume the Bank aims to provide clients with the fastest execution possible although delays may occur in the case of less liquid securities;
- d. **the size of the transaction** – the size of the transaction may impact the overall quality of execution of orders on financial securities. In cases where a security trades in minimum batches, the client will only be able to trade at the minimum trade size required; and
- e. **the nature of the transaction** – when determining how and where to route an order which is not automatically transmitted to an Execution Venue, the Bank or its execution entity will draw on their experience to request quotes, thus enabling the best possible outcome.

For retail clients, Total Consideration of execution price and cost is the key driver of Best Execution, encompassing Execution Venue fees, clearing and settlement fees and any other fees paid to agents involved in the execution of the Order.

6 Trading Venues and Execution Intermediaries

The Bank executes transactions in securities quoted on the Malta Stock Exchange (MSE).

Subject to any specific instructions that clients may give the Bank, the Bank may transmit an Order received from a client to a third-party entity with whom MeDirect has entered into an agreement with for the execution of that Order. In such cases, the Bank will nevertheless always act in the best interest of the client and in line with section 3 and 4 of this policy.

The selection criteria withheld by the Bank for the selection on an execution intermediary are the following, in order of relative importance:

- The costs related to the execution of orders (commissions, arrangement and clearing fees) which are charged to the Bank: these costs influence directly the fees eventually charged to the end-client;
- The speed and likelihood of execution and settlement: whatever the volatility or the liquidity of financial instruments, the executing entity should provide the fastest execution possible;
- The overall offer with regard to the type of financial instruments, the type of orders and the type of accessible trading venues;
- The nature and overall execution quality of the executing entity, particularly the downtime periods and the handling of complaints; and
- The IT-set up of the execution entity enabling easy and fast routing of orders to the executing entity and the reception of trade confirmation information.

MeDirect selects execution intermediaries based on a thorough analysis of the above criteria and keeps documentation of its analysis. MeDirect Bank Malta plc periodically monitors the quality of the service provided by the selected execution entities based on the above criteria and formally reviews the recorded information on at least an annual basis.

All Orders in international bonds and equities and international ETFs are transmitted for execution to Saxo Bank A/S, placing a degree of reliance on it in terms of, complying with its best execution obligations and this policy.

All Orders in Investment Funds are routed automatically to Saxo Bank A/S or to MFEX Mutual Funds Exchange for execution.

A list of the most important Execution Venues used by the Bank for each class of instruments together with a report on quality of execution can be found on the Bank Company website at www.medbank.com.mt under the form of an annual top 5 Execution Venues report.

The client is also agreeing to and authorising the Bank to execute an Order, where relevant, outside of a Trading Venue, when this is considered to be in the client's best interests. Execution outside a Trading Venue means either:

- a. executing the Order with a matching Order from another client,
- b. the Bank or a parent company acting as the Execution Venue, or
- c. executing the Order with other broker/dealers and market makers.

7 Method of Execution for each Asset Class

The Bank will execute an Order directly with a Trading Venue (i.e. a Regulated Market ("RM"), Multilateral Trading Facility ("MTF"), or Organised Trading Facility ("OTF") or, where the Bank does not have direct market access to the relevant Trading Venue, with an execution intermediary with whom the Bank has entered into an agreement for the execution of client Orders.

The below is an explanation of the different dealing arrangements in relation to the different types of investments. In addition to the above provisions, the relative ranking of the different Execution Factors will depend upon the nature of the asset class traded, the liquidity of the relevant market and the time of the trade.

7.1 Fixed Income Securities (Bonds)

7.1.1 Maltese Bonds

In the case of bonds listed on the MSE, these are executed manually by MeDirect as a member of the MSE, where all client orders are inputted into the exchange trading platform. The Bank considers the MSE as rather illiquid considering the size and volumes traded on this exchange. Subsequently, large market movements can be expected if even medium sized Market Orders are executed, rather than a Limit Order, which in turn may not give a client the best possible result. Accordingly, it is the Bank's policy that, for Maltese bonds, only Limit Orders are allowed. Limit Orders are monitored for a period of up to 14 days from the date of receipt of the Order after which the Order will be automatically cancelled.

7.1.2 International Bonds

When dealing in international bonds, the Bank transmits all its orders automatically to Saxo Bank A/S, as its sole intermediary, for execution except in instances where the order cannot be submitted electronically, in which case the MeDirect trading desk can process Orders manually.

Considering the potential spread between the bid and ask price which may negatively impact the client, it is Bank's policy that, for international bonds, only Limit Orders are allowed. Limit Orders are automatically cancelled at the end of the day on which they are received.

7.2 Equities and Exchange Traded Funds (ETFs)

7.2.1 Maltese Equities

In the case of equities listed on the MSE, these are executed manually by MeDirect as a member of the MSE, where all client orders are inputted in the exchange trading platform. Similar to Maltese bonds, the Bank applies a limit order policy for Maltese equity orders.

7.2.2 International Equities and ETFs

When dealing in non-Maltese equities and ETFs the Bank transmits all its orders automatically to Saxo Bank A/S, as its sole intermediary, for execution except in instances where the order cannot be submitted electronically. In such cases or if the online platform is not available, the MeDirect trading desk can raise Orders manually. Limit Orders are monitored for a period of up to 14 days from the date of receipt of the Order, after which the Order will be automatically cancelled.

7.3 Investment Funds

The execution of orders in mutual funds is conducted through Saxo Bank A/S or through the MFEX Mutual Funds Exchange. For collective investments undertakings, the NAV is generally determined once a day. Orders sent before the fund's cut-off will in normal circumstances be executed at the NAV that will be calculated after the cut-off time. In case Orders are received after the cut-off time, they will be executed at the next calculated NAV.

8 Handling of Orders

As a standard, the Bank ensures the prompt, fair and expeditious execution of all orders in line with the applicable regulatory requirements and that these Orders are promptly and accurately recorded and allocated.

Comparable instructions from different clients will be treated promptly and sequentially in the order they are received, except if specific instructions or circumstances require a different treatment.

Client Orders may be aggregated with orders from other clients or orders from the Bank or affiliated companies. Orders will only be aggregated where the Bank or the respective executing entity reasonably believes it is unlikely that the aggregation will be detrimental to the client. In some cases, aggregation may however work to the disadvantage of a client.

When aggregating its own orders or orders of any of its affiliated companies with orders of a client, the Bank shall not allocate the related trades in a way that is detrimental to a client.

The Bank takes all reasonable steps to ensure that securities or money received in settlement of an executed order are promptly and correctly delivered to the account of the appropriate client.

In the event of a trade in an MSE listed security that is only partially filled, the order will be split into two separate orders. The first order covers the executed amount while the second order covers the outstanding amount. In the event of a trade in an international security that is only partially filled; on order expiration, the residual amount that is unfilled is cancelled.

In the event of a material difficulty in executing a client Order in accordance with this Policy, the Bank shall inform the client who placed the order promptly upon becoming aware of this difficulty.

9 Security Financing Transactions

Bank companies shall not enter into arrangements for securities financing transactions in respect of instruments which they hold on behalf of a client, or otherwise use such instruments for its own account or the account of another of its clients.

10 Client Consent

The present Best Execution and Best Selection Policy is deemed to be accepted by the client when the client gives an order for execution to the Bank.

By giving an order to the Bank, the client also consents that such orders may be transmitted to an execution intermediary that may execute outside of a Trading Venue.

11 Monitoring and Review

The Bank monitors the effectiveness of its Best Execution Policy as may be required. The results of the monitoring may result in adaptations to the processes and the overarching Best Execution Policy.

In accordance with applicable regulations, the Bank reviews its Best Execution and Best Selection Policy at least on an annual basis, or after the occurrence of a material change that affects the Bank ability to continue to obtain the best possible result for its clients. A material change is a significant event that could impact the best execution factors. When reviewing this policy, the Bank will assess the quality of execution provided to its clients. The Bank communicates to its clients any material changes to the policy. The latest and most up-to-date information is and will always be available on the website of the Bank.

In monitoring the effectiveness of this policy, the bank will also assess the quality of execution done by Saxo Bank A/S, being the sole execution intermediary for international securities. Pursuant to this review and if necessary, the Bank will work closely with Saxo Bank A/S to improve the services provided to its clients and make any changes when necessary.

12 Reporting to Clients

The Bank publishes on an annual basis, in line with the legal requirements, a top 5 Execution Venues report. The report details, for each instrument type and each relevant investment service, the five most important execution venues the Bank relied on for the past twelve months, along with key statistics. This report is published on the Bank's website by no later than 30th April of each year.