

Execution Principles for Orders in Financial Instruments by Commerzbank AG

Status as of: 1 January 2018

A. Preliminary remark

Commerzbank AG (hereinafter referred to as “the Bank”) enables its customers to execute orders for purchase or sale of financial instruments (such as equities).

Customers may give the Bank instructions at which execution venue (e.g., Frankfurt Stock Exchange) or on which additional terms and conditions (e.g., a price limit) an order is to be executed. Such instructions shall override the provisions of these execution principles. A discretionary order represents an instruction (cf. Section D).

Notice: Orders based on firm instructions may not necessarily lead to the best possible results being achieved.

An order lacking any specific instruction is referred to as an order without instructions. The following provisions apply to an order without instructions so as to achieve the best possible result for the customer when executing the order.

1. Scope of application

These principles apply to the execution of orders placed by a private or professional customer (hereinafter referred to as “the Customer”) as contemplated by the German Securities Trading Act (Wertpapierhandelsgesetz). “Execution” in this sense means that – on the basis of the Customer’s order – the Bank enters into a corresponding transaction with another party for the Customer’s account (commission transaction). To the extent that these execution principles allow orders to be executed neither on an exchange*, an exchange-like execution venue* nor by concluding a transaction with a systematic internaliser** (collectively referred to below as the “Execution Venue”) the Bank will obtain the Customer’s prior consent.

If the Bank and Customer enter directly into a securities transaction (fixed-price transaction) Section C shall apply.

2. Objective of the order execution

Customer orders are normally executed on various domestic or foreign Execution Venues. The Bank itself may likewise constitute an Execution Venue. Section B contains a description of the execution channels and Execution Venues in the relevant classes of financial instrument that, as a rule, carry expectations of best possible execution in the interests of the Customer and via which channels and Execution Venues the Bank will execute the Customer’s orders.

In determining specific Execution Venues with regard to an order the Bank will assume that the Customer primarily intends to achieve the best possible price – taking into account all costs in connection with the execution of the transaction. Moreover, above all those Execution Venues will be taken into consideration at which full execution is probable and possible on a timely basis (likelihood and speed of execution). Furthermore, within the scope of the standards outlined above, the Bank will take into account other criteria of relevance, especially secure and certain settlement of the order, the value thereof and the nature of the order placed.

3. Forwarding of orders

If the Bank has no direct electronic access to an Execution Venue it will not execute the Customer’s order itself. In this case, the Bank will need instructions from the Customer concerning the Execution Venue. Then the Bank will forward this order for execution to a specialised financial services provider with direct access to the Execution Venue.

An overview of the Execution Venues to which the Bank forwards Customer orders via a financial services provider is published on the internet under the designation “Overview of Execution Venues” (www.commerzbank.de/geschaeftsbedingungen).

4. Exceptional market conditions

In the event of exceptional market conditions or market disturbances, the Bank may be unable to forward or place the orders in accordance with the provisions under Section A 2) above of these execution principles. In such cases, the Bank will require specific instructions from the Customer. In individual cases, the Bank may decline to accept the order if it is impossible to process and settle the transaction on a timely basis. The execution of orders already forwarded to the Execution Venues varies according to the provisions prevailing at such Execution Venues.

5. Execution Venues

An overview of the current Execution Venues for orders without instructions is published on the internet under the designation “Overview of Execution Venues” (www.commerzbank.de/geschaeftsbedingungen). The Bank will make this overview available to the Customer upon request. The Bank may modify the selection of the execution venues listed in the overview; the latter is not the subject matter of the contractual arrangement in place between the Bank and the Customer.

* regulated market, multilateral trading system or organised trading system.

** A systematic internaliser is an investment firm that systematically trades for its own account on a regular basis by executing customers’ orders. Commerzbank may also execute orders as a systematic internaliser in selected financial instruments.

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6. Custodians abroad

When purchasing a financial instrument at a non-German Execution Venue, the financial instrument will be taken into custody by a foreign custodian assigned to the Execution Venue. In divergence from the above-mentioned principles for selecting Execution Venues, the sale of financial instruments is only possible in the particular country where the instruments are held.

7. Special features relating to asset management

Asset management (portfolio management) is subject to separate execution principles.

B. Execution principles in different classes of financial instruments

1. 1. Equity instruments (in particular, shares and subscription rights), bonds, securitised derivatives (certificates (Zertifikate) including other structured bonds, warrants) and other exchange traded financial instruments such as Exchange Traded Funds (ETFs), Exchange Traded Commodities (ETCs) or Exchange Traded Notes (ETNs).

When executing orders without instructions regarding Execution Venues, the Bank will use only those Execution Venues to which it has electronic access. If, in the process, a financial instrument is traded on different Execution Venues at the same time, the Bank will determine the Execution Venue at which the best result can foreseeably be achieved for the Customer and will place the order at that particular Execution Venue. To this end, the Bank will carry out a systemic comparison of current prices, costs and market liquidity (via "ComBest"). Thereafter, the Bank places the order at the Execution Venue that holds expectations of the best possible execution at the relevant point in time. ComBest also takes into account the prices and costs of selected financial instrument offered by the Bank itself, i.e. considering the Bank itself as a possible Execution Venue. To the extent that in this comparison the Bank offers the best possible result as an Execution Venue for the Customer, a fixed-price transaction will be concluded between the Customer and the Bank (fixed-price transaction, cf. Section C).

Notice: ComBest enables best possible execution to be achieved for the Customer on a regular basis.

An order without instructions regarding an Execution Venue can be placed with unlimited status only for the current day of trading.

An instruction from the Customer regarding an Execution Venue is required if the order is provided by the Customer outside the trading hours of the Execution Venues or if the order volume substantially exceeds the available market liquidity.

2. Investment fund units (excluding Exchange Traded Funds)

The acquisition and sale of units in investment funds admissible for distribution in Germany and which are issued and redeemed by the custodian in conformity with the German Capital Investment Code (Kapitalanlagegesetzbuch) are not subject to the provisions for best execution. For this reason, ComBest does not apply to such cases.

The Bank sells investment fund units at a fixed price corresponding to the issue price determined in accordance with the rules of the German Capital Investment Code (Kapitalanlagegesetzbuch). In such cases, the purchase price will not exceed the issue price determined according to the provisions of the German Capital Investment Act (Kapitalanlagegesetzbuch). Sell and/or redemption orders are forwarded to the capital investment company/custodian bank.

If trading in investment funds takes place at an Execution Venue to which the Bank has access, it also accepts instruction-linked orders for execution at that venue.

3. Financial derivatives (interest, credit, currency, equity, commodity derivatives as well as derivatives of emission allowances)

The Bank executes orders for financial derivatives, which are traded under standardised conditions on an options and futures exchange at the relevant futures exchange. If a contract is offered at more than one futures exchange, the Bank always requires instructions from the Customer in relation to the Execution Venue.

Financial derivatives traded only off-exchange are concluded by the Bank individually with the Customer (fixed-price transaction; cf. Section C).

4. Contracts for Differences (CFD)

The Bank reserves the right to decide whether to offer contracts for differences to its Customers. To the extent that the Bank offers contracts for differences it will execute these exclusively by way of a fixed-price transaction.

5. Emission allowances

The Bank will execute orders relating to emission allowances exclusively in accordance with specific instructions from the Customer.

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C. Fixed-price transactions

With regard to a fixed-price transaction, the Bank and the Customer will enter into a purchase agreement for financial instruments at a fixed or determinable price.

According to the relevant contractual arrangements, the Bank and the Customer are obliged to deliver the financial instruments owed and to pay the purchase price for them, as the case may be. This will apply if the Bank offers securities for subscription, or if it and the Customer enter into mutual agreements concerning financial instruments not tradable on an Execution Venue.

The Bank will meet its requirements relating to the best execution of fixed-price transactions by offering a price that corresponds to market prices, taking into account the costs and fees incurred.

D. Discretionary orders

The issue of a discretionary order by the Customer to the Bank constitutes an instruction. A discretionary order is an order to be executed on a piecemeal basis where the Bank executes the order in financial instruments taking into account the prevailing market conditions. The order can also be executed at Execution Venues not published in the Bank's overview of execution venues ("Overview of Execution Venues") as part of the Bank's online banking service (www.commerzbank.de/geschaeftsbedingungen) (e.g. interbank trading).

E. Supplementary information

The Bank will monitor and review the implementation and effectiveness of the execution principles. A review will be performed annually or whenever the Bank identifies any material changes that require the execution principles to be adjusted accordingly.