



Best Execution Policy

Elements of best execution

Various factors (such as price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order) may affect the order execution.

In order to determine the relative importance of the different factors, KBC Bank takes into account the following criteria:

- a) the characteristics of the client including the categorisation of the client as retail or professional;
- b) the characteristics of the client order;
- c) the class of the financial instruments;
- d) the characteristics of the execution venues to which that order can be directed.

For retail clients the best result will be determined in terms of the total price of the financial instrument and all costs in relation to the execution of the order. For professional clients, the primary factors of price and cost factors will merit a high relative importance in obtaining the best possible result for the relevant client.

However, there can be circumstances where other factors may be more important for the execution of orders on behalf of retail or professional clients. This might for example be the case for orders above standard market size and orders in illiquid instruments. Therefore KBC Bank, may, at its own discretion, execute orders based on other factors that will, according to KBC Bank, result in acting in the best interest of the client.

Execution venues

KBC Bank operate in the over-the-counter (OTC) market. KBCI do not use execution venues (e.g. a regulated market or MTF). However, at times we may decide to use an execution venue specific to your Instruction. If this does occur, we will inform you of the execution venue which we are using in order to fulfil our obligation to be consistent at all times while taking sufficient steps to obtain the best possible result in executing your instructions. By accepting KBC Bank's MIFID Terms & Conditions, we consider that you have consented to executing transactions outside a regulated market.

Order Execution

KBC Bank will execute the order/trade in accordance with this Best Execution Policy by using one of the following methods or a combination thereof. It is the general policy of KBC

Bank to execute all orders in chronological sequence based on the time from when they are received.

When you place an order/trade with KBCI we may execute it against our own proprietary position or decide to hedge this position or a portion thereof in the market place.

In other instances, KBCI may decide not to hedge and will instead keep the risk of the transaction on our own books.

The price which is offered to you is based on a number of factors including what it costs us to hedge this position either externally or internally. The relative importance which we place on the Execution Factors varies depending on whether the client is a Retail or Professional Client and the type of Financial Instrument to which the Instruction relates.

We define an order as an instruction to execute a trade at a rate nominated by the client that is not, at the time of the instruction, within current market parameters

In the case of Investment Funds (Units in Collective Investment Undertakings), orders in units are transmitted to a transfer agent.

These principles or a part of these principles may not be applied in the case where a specific instruction is received from the client.

Specific instruction

Where the client gives specific instructions relating to the execution of an order, for example the indication of an execution venue, KBC Bank will execute that order in accordance with this specific instruction and will be deemed to have taken all reasonable steps to provide the best execution of that order in respect of that specific instruction.

WARNING: a specific instruction from a client may prevent KBC Bank from taking the steps that it has designed and implemented in this Best Execution Policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions. Where KBC Bank cannot get the best possible result for the client due to a client's specific instruction, KBC Bank will disclose this to the client as soon as possible and consent will be obtained from the client to proceed with the client's specific instructions.

Best Execution per class of financial instruments

For each class of financial instruments, KBC Bank has defined the key execution factors that will be taken into account when executing orders and information and the execution venues that best suit its requirements. In this chapter a summary is presented.

Preliminary remarks

- The principles described in this policy do not restrict KBC Bank to act otherwise in case it considers that in acting so the order might not be executed in a way that the best possible result for the client is obtained.
- Provided prior consent of the client has been obtained, KBC Bank or its brokers have the possibility to internalise orders by acting as a counterparty to the client rather than executing the order on a regulated market.

- In case of emergency, such as a disruption of the execution system, KBC Bank may not be in the position to execute the order according to the described method. In these exceptional circumstances, KBC Bank will endeavour to execute the orders in the most advantageous way under the prevailing circumstances.

Investment Funds (Units in Collective Investment Undertakings)

KBC Bank Ireland will, in general, transmit orders in UCITS funds to the transfer agent of that fund. This method of execution ensures a price that reflects the economic value of the asset and is in general the most advantageous in terms of costs.

Each Investment Fund has a cut-off time that is determined with due consideration to the official cut-off time appearing in the prospectus and the system limitations of placing the order with the transfer agent or correspondent before this official cut-off time. Orders received on any day will be deemed to have been received on the first day on which units of the Investment Fund concerned may be traded.

Orders for Hedging Products

KBC Bank offer Hedging Products for the following products:-.

- **FX Swaps:** the FX Swap price, is the price for the interest rate difference for a currency pair for the given tenor. An FX Swap will be priced from independent market feeds from leading internationally recognised providers. This price is the result of selected feeds which have been considered by KBC as providing the best market prices at any given time. The selection of those feeds is subject to a continuous internal analysis to provide prices reflecting the prevailing market conditions. The quoted price towards the client is composed of the market price and a sales margin;
- **FX Forwards:** an FX Forward will be priced out of an FX Spot price and an FX Swap price. The FX Spot price is obtained from internal and external systems. These systems extract on a real-time basis the best price for available currency pairs from KBC NV platform and two multibank platforms. A spread can be added to this FX Spot price. This spread will mainly take into account the following aspects:
 - The nature and the characteristics of the transaction;
 - The size/volume of the transaction;
 - The time of receipt of the transaction Together, the FX Spot price and the FX Swap price form the FX forward price.
- **Interest Rate Swaps (IRS) and Cross-Currency Swaps (XCS):** IRS and CS are priced on a request for quote basis, using a licensed pricing tool. The calculation is based on interest rate curves in the relevant currencies. Building blocks to these interest curves are collected in real time from the most liquid MTF's (e.g. Refinitiv, Bloomberg) and OTF's (e.g. Interdealer Brokers as TP ICAP). These venues cover all dealers/market makers relevant to the instrument. Liquid instruments have a minimal hedging cost, less liquid instruments have a higher hedging cost. KBC considers liquidity on the following measures:
 - The trade start type is spot and the tenor is not a broken date;
 - The notional size is standard to the instrument; and

- The quote occurs during normal market hours and during a normal and functioning market.
- An IRS or CCS which is tailor-made and more complex (variable notional, forward start, broken dates, ...) are considered to be less liquid and have a higher hedging cost.
- For orders managed outside of normal trading hours with a specific instruction from the customer will be transferred to KBC NV Brussels and will be subject to their Best Execution and Client Order Handling Policy.
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Market Products

Dealer Market Products include various options, futures, swaps, forward rate agreements and combinations thereof relating to currencies, interest rates or yields and securities, financial indices and commodities. These instruments are not listed on execution venues. Spot FX transactions or deposits or loans are not included in the scope of MiFID.

KBC Bank recognises that for dealer market products potential clients, or clients, are likely to contact different investment firms for a quote and has procedures in place to ensure that products are priced in a competitive and fair manner. For this pricing KBC Bank may rely on internal models that are subject to internal verification requirements.

Monitoring and updating

KBC Bank will monitor the effectiveness of its order execution arrangements and its Best Execution policy in order to identify and, where appropriate, correct any deficiencies. In particular, KBC Bank shall assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for the client, or whether changes to the execution arrangements need to be made.

KBC Bank shall notify its clients of any material changes to its order execution arrangements or execution policy.

Demonstration of best execution

The client is entitled to request KBC Bank to demonstrate that it has executed the relevant order in accordance with this Best Execution Policy.

Client Order Handling Policy

KBC Bank will register and allocate or receive and transmit client orders promptly and carry out comparable client orders promptly and sequentially unless the characteristics of the order or prevailing market conditions make this impracticable, or the interest of the client requires otherwise.

It may not be practicable to comply with this obligation if orders are received through different media, however, every effort will be made to ensure there will not be negative consequences to individual clients.

In relation to Investment Funds, the order system transmits the orders to the transfer agent before the cut off time of the relevant fund.

Funds are handled via the transfer agent. After reception of the NAV, the order is enriched and the confirmation and settlement process is started.

Enforcement

This policy applies to Financial Institutions; Corporates and Individuals, classified as Retail clients or Professional clients, who enter into MiFID related transactions with KBC Bank.

All order execution falling within the remit of MiFID must comply with this Policy. In the event that any change to relevant legislation is made which impacts upon Best Execution, this policy will be reviewed, updated and ratified.

Adherence to this policy will be subject to review by the Compliance and Internal Audit Departments of KBC Bank.

References

For further information relating to Best Execution requirements please refer to:

- Markets in Financial Instruments Directive (MiFID II);
- European Union (Markets in Financial Instruments) Regulations 2017 (SI 375 of 2017)