

## EXECUTION AND TRANSMISSION POLICY

This document is subject to regular review (see below) in order to improve conditions for the client; the most updated version can be downloaded from our website [www.equita.eu](http://www.equita.eu).

*(approved by the Board of Directors on 17 March 2021)*

### **1. INTRODUCTION**

Pursuant to Directive 2014/65/EU on markets in financial instruments (MiFID II) and the implementing measures referred to in Commission Delegated Regulation (EU) as well as in Consob Regulation n. 20307 of 2018, Equita SIM shall take all reasonable steps to obtain the best possible result for its clients when it executes orders on their behalf.

The purpose of this document is to provide adequate information on the following, among other things:

- ≡ the factors used to select execution venues;
- ≡ the priority attached to such factors;
- ≡ how factors are considered as part of the reasonable steps to obtain the best possible result for clients;
- ≡ a summary of the process applied to select execution venues, adopted policies, procedures and processes to analyse the quality of the achieved execution; and
- ≡ how Equita SIM monitors and checks that the best possible results for clients have actually been obtained.

### **2. RECIPIENTS**

This order execution and transmission policy applies to Equita SIM's professional clients.

### **3. EXECUTION POLICY**

#### 3.1 QUALITY OF EXECUTION

When executing orders on behalf of its clients, Equita SIM relies on procedures targeted at obtaining the best possible result, considering all factors contributing to highlighting the quality of execution, as reported in the paragraphs below.

In order to serve the interests of clients when executing orders and to achieve the most favourable conditions for them, Equita SIM has taken all reasonable steps to continue to obtain the best possible result on a consistent basis, although the regulation does not provide for any obligation to achieve such result for each single executed order.

#### 3.2 FACTORS CONSIDERED AND THEIR RELATIVE IMPORTANCE

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#### **EQUITA SIM S.P.A.**

In order to decide how orders shall be executed, Equita SIM shall consider the following factors listed according to their relative importance:

1. the total consideration;
2. the size and/or nature of the order;
3. the likelihood of execution and settlement;
4. the speed of execution;
5. any other relevant consideration for an efficient execution of the order;

Equita SIM usually attaches the highest priority to the total consideration (representing the price of the financial instrument and the costs related to execution). Therefore, in the absence of different and specific client instructions, Equita SIM shall attach less importance to the other execution factors. However, under some specific circumstances and in order to obtain the best possible result, it might be advisable that the relative weight of one or more of the other factors (namely speed of execution, likelihood of execution, size of the order) is higher than the total consideration.

More specific indications are provided below based on the individual class of financial instruments.

Where there is more than one competing venue to execute an order, Equita, in order to assess the best result, also takes into account its own commissions and costs for executing the order on each of the eligible execution venues.

### 3.3 EXECUTION VENUES

Equita SIM has identified several venues where the orders received by the clients can be executed. The identified venues can be one of the following:

- a) regulated markets;
- b) multilateral trading facilities (“MTFs”);
- c) organized trading facilities (“OTFs”);  
as well as
- d) systematic internalisers.

When choosing the *venues*, Equita takes into account the following elements in order of their relative importance:

- (a) the quality of prices on a consistent basis;
- (b) the pricing of each venue, assessing from time to time liquidity and market depth;
- (c) costs and way of settlement, including any clearing systems and their operation.

In the absence of specific client instructions, Equita SIM usually executes the order – once received - on the **reference venue**, namely the resulting most significant venue in terms of liquidity and likelihood of execution (for the so-called “care orders”). However, if the circumstances of the case (for example, characteristics of the order, conditions on the different venues, etc.) make this solution preferable in the best interests of the client, Equita SIM shall:

- i. execute the entire order, or part of it, on one (of more) venues selected by it (“care orders”) - usually on the reference one;
- ii. use its own smart order router (“SOR”) to choose the execution venues;

- iii. transmit the order to a third-party broker who shall execute the order itself on the execution venues identified by him based on his own order execution policy.

For the sake of clarity, it should be noted that any request to execute an order “curando” implies that Equita shall decide at its discretion (albeit pursuant to this policy) how to execute the order itself (so-called “care” or “worked” orders). Under such circumstances the operator executing the order can use special trading algorithms where appropriate.

In case Equita SIM does not execute the order directly but transmits it to another intermediary. In this case, the operator can decide to manage the order directly<sup>1</sup> or use the other intermediary, who will manage the order according to the principles contained in his execution policy<sup>2</sup>.

If Equita SIM is a member of the market, the order will be forwarded to it. In some cases, the operator, if deemed appropriate based on the order's characteristics, may decide to use another intermediary who will manage the order based on the principles contained in his execution policy.

Any specific client instructions concerning such orders shall take precedence over the ordinary execution policy of Equita SIM, as laid down in paragraph 3.6.

In case the client has given his prior express consent to the execution of order outside of a trading venue (i.e. a regulated market, an MTF or an OTF), orders can be executed also OTC (for example through market makers, liquidity providers or Equita SIM's own account). In this regard, please see paragraph 3.5.

As of today, Equita SIM does not act as a systematic internalizer.

The full and updated list of execution venues Equita SIM has access to for the different classes of financial instruments is available in Appendix 1.

### 3.4 DIRECT MARKET ACCESS (“DMA”)

When clients use the «direct market access», they can visualize the trading parameters for each order, but not the exact fraction of a second when the order is input in the execution venue<sup>3</sup>. Such parameters, when specified, constitute specific instructions that Equita SIM must comply with.

As to execution, Equita SIM can alternatively:

- i. send the order to the identified execution venue, or
- ii. send the specific instruction to execute the order on multiple venues.

For further information on how orders are transmitted to other intermediaries to be executed please see paragraph 4 “Transmission Policy”.

### 3.5 EXECUTION OUTSIDE OF REGULATED MARKETS

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<sup>1</sup> In this case the order will be executed in accordance with the principles contained in the execution Policy of the SIM

<sup>2</sup> In this case the provisions of Chapter 4 shall apply

<sup>3</sup> The service provided does not qualify as Direct Electronic Access (“DEA”), since the client cannot exercise his discretion as regards the fraction of a second when the order is input in the execution venue.

In special cases it is possible that the best result for the client can be obtained by executing the whole order or part of it outside of the identified trading venues (for example, matching the order with an equal and opposite one of another client, namely executing the order in compensation against the SIM proprietary desk).

By way of example but not limited thereto, Equita SIM can execute outside of the market the orders concerning financial instruments listed on regulated markets or MTFs or IS if at least one of the following conditions is met:

- ≡ a better total compensation can be obtained;
- ≡ no sufficient liquidity is available to timely execute the order;
- ≡ executing the order would over-impact the market price.
- ≡ the execution outside of the market has been previously agreed with the client or it is the result of specific client instructions.

When an order is executed outside of a trading venue (namely a regulated market, an MTF or an OTF), Equita SIM cannot rule out the risk that the counterparty does not comply with its own obligations within the specified deadlines (for example, delivery of the instruments, payment of the agreed amount).

### 3.6 SPECIFIC INSTRUCTIONS

In case the client provides specific order execution instructions, including “*care*” orders, they shall take precedence over the ordinary execution policy of Equita SIM. As a result, they might prevent Equita SIM from adopting all or part of the steps it usually takes to obtain the best possible result in the execution of the order received (as far as the elements included in the instructions are concerned). This can occur also when the client inputs the instructions through DMA. Specific instructions can be provided by the client as to the use of the set of algorithms defined by Equita SIM.

As far as the orders “*curando*” are concerned, if the client does not provide any further specific instructions on the methods to be applied to execute the order itself, Equita SIM shall act at its full discretion.

### 3.7 EXCEPTIONS TO THE BEST EXECUTION

In addition to specific client instructions (par. 3.6), Equita SIM shall not be required to provide the best *execution* and therefore this *Execution Policy* shall not be applied to the following transactions:

- ≡ the client is an eligible counterparty;
- ≡ in case Equita provides a quote (so-called request for quote) upon a specific client request concerning a specific financial instrument;
- ≡ the terms and conditions of a transaction are negotiated directly with the client;
- ≡ custom transactions for which the market does not offer comparable alternatives.

### 3.8 EXECUTION POLICY: OTC DERIVATIVES

In relation to the provision of the service of dealing on own account for orders concerning OTC derivatives, the SIM has put in place effective mechanisms in order to obtain the best possible result for the customers, having regard to the following execution factors in descending order:

- the speed and the likelihood of execution and settlement;
- the total consideration: price and cost;
- the size and/or nature of the order;

- any other qualitative consideration.

When the SIM directly executes an order on behalf of a professional client for OTC derivatives, the speed and likelihood of execution and settlement, which is the first factor of best execution, is obtained by executing the order on own account, given the illiquidity characteristics that generally distinguish such financial instruments.

With reference to the second factor (total consideration) the employee shall take into account that:

- reference is made to the total cost of the transaction, which is usually determined on the basis of a theoretical value starting from market data and internal mathematical models possibly parameterized with those normally used by professional intermediaries and institutional investors;
- the price applied to the professional client also includes costs typically attributable to the neutralization of market risks (the so-called hedging cost), to funding, to the credit risk component associated with the transaction, to the remuneration of the service offered in terms of certainty of execution, as well as the size of the order and its duration;
- in the case of complex transactions, or transactions concerning non-liquid financial instruments or parameters, the final price includes the costs associated with the liquidity risk of the derivative.

## 4. TRANSMISSION POLICY

### 4.1 THE BEST EXECUTION OBLIGATION - GENERAL CRITERIA

When providing the service of reception and transmission of orders, the SIM does not execute the order directly but it transmits the orders to a third-party broker (by means of both DMA and other means such as the telephone, for example).

In case Equita SIM delegates the brokers to manage the order execution, the trading will be performed according to their execution policy.

### 4.2 CRITERIA FOR BROKER SELECTION

Equita SIM selects its brokers among players with access to several execution venues and singles out those that have an execution policy consistent with Equita SIM's as well as appropriate service levels. Therefore, it assesses whether the *price* and *costs* factors come first in terms of importance. Furthermore, Equita SIM selects its brokers based on criteria of execution quality, convenience, efficiency, specialisation and reliability. The selection results in a list of brokers eligible to be used by the SIM (the so-called broker list).

In case the broker list includes several *brokers* that are able to carry out the client's order, the specific intermediary to whom the client's order shall be transmitted is selected by taking into account the following factors (in order of importance):

1. commissions and costs;
2. size of the order;
3. settlement, operational and financial reliability;

4. technological capability;
5. ability of the broker to access several markets and instruments;
6. settlement mode.

The type of client, the nature of the order, its potential impact on the market, the methods of execution, the client instructions and other variables can change the relative importance of the above-mentioned factors.

The *broker* is selected taking into account the best interests of the client.

Equita SIM can resort to more than one broker depending on their specialisation in specific execution venues or to execute special transactions (for example, basket, algorithmic trading).

The list of brokers used by Equita SIM is available on Appendix 2.

## 5. REVIEW AND MONITORING – PUBLICATION OF VENUES

Equita SIM carries out an ongoing monitoring of the effectiveness of the steps taken to obtain the best possible result for the client; in particular, it assesses the quality of order execution.

Furthermore, it reviews its order execution and transmission policy at least annually (as well as whenever relevant circumstances occur impacting the ability of the SIM to keep obtaining the best possible result for the client).

The policy shall be made available and updated regularly on the website [www.equita.eu](http://www.equita.eu) (Mifid II section) with the list of the execution venues and brokers.

For each financial instrument class, Equita SIM publishes annually the five top execution venues in terms of trading volume where it has carried out client orders in the previous year; it also provides information on the quality of execution achieved. Similarly, for each financial instrument class, Equita SIM publishes annually the five top investment companies in terms of trading volume to which client orders were transmitted or placed for execution in the previous year; it also provides information on the quality of execution achieved.

## 6. AGGREGATION OF ORDERS

Equita SIM, in a fair manner and in compliance with applicable regulatory requirements, may carry out a client order or a transaction on own account in aggregation with another client order.

An order allocation policy has been established and effectively implemented, providing for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions.

In case Equita SIM aggregates transactions on own account with one or more client orders, the trading that could be detrimental to the client shall not be allocated.

Where Equita SIM aggregates a client order with a transaction on own account and the aggregated order is partially executed, it allocates the related trades to the client in priority to itself. However, if Equita SIM is able to demonstrate on reasonable grounds that without aggregation it would not have been able to carry

out the order on such advantageous terms, or at all, it may allocate the transaction on own account proportionally, in accordance with its order allocation policy.

In accordance with the principles above, Equita SIM may aggregate orders in the following cases:

- (i) when providing placement services (therefore, in case of ABB, OPV, OPS, etc.). Equita SIM may carry out client orders or a transaction on own account in aggregation with another client order. Equita SIM takes the greatest care to protect the interests of its clients, however aggregation might work to the client's disadvantage in relation to a particular order. An order allocation policy has been established and implemented, providing for the fair allocation of aggregated orders and transactions, including the treatment of partial executions;
- (ii) at public auctions or direct distribution of Italian Government securities. Client orders are aggregated and subsequently Equita SIM transmits a cumulative order to "authorised traders" taking part in the public auction or on the MOT market. Equita SIM guarantees to its clients the execution at the marginal / weighted average auction price net of commissions for public auctions and at the issue price for direct distribution on the MOT;
- (iii) during an auction, when orders concern option rights ensuing from equity transactions. Only orders with the same sign and without any price limitation may be aggregated. Their execution is guaranteed at the auction price; in this way, an effective order allocation policy is ensured. When aggregation and allocation are performed in this manner, the high number of orders usually present in this kind of operations is handled more effectively.

## **7. FURTHER INFORMATION ON EXECUTION POLICY BROKEN DOWN BY INDIVIDUAL FINANCIAL INSTRUMENT CLASSES.**

### **A. Equity instruments and ETFs**

The orders concerning Italian, French and dutch equity instruments, meaning shares listed on markets organised and managed by Euronext Milan, Euronext Amsterdam and Euronext Paris, are carried out pursuant to the indications referred to in par. 3, to which reference is made.

In particular, when instruments traded on venues in Japan, Australia or Hong Kong are involved, given the significant time difference, the client order must contain a specific instruction on the price and manner of execution. The order is transmitted by Equita SIM to the foreign broker to be executed and such broker forwards it to the market immediately (if the market is open) or as soon as it opens (if the market is closed when the order is received).

As far as ETFs are concerned, upon request Equita SIM may show a price to the client and execute the transaction on own account outside of a trading venue (i.e. "OTC").

Orders on shares listed on VORVEL Equity Auction are addressed to this execution venue, the only one that ensure adequate conditions of liquidity, transparency and efficiency of the quotations for this type of financial instrument.

### **B. Bond instruments**

The orders concerning bond instruments listed on MOT, EuroMOT, Euronext Access Milan, EuroTLX, VORVEL Bonds and BTFE are carried out pursuant to the indications referred to in par. 3, to which reference is made.

In case the client has given its prior express consent to the order being executed outside of the above-mentioned venues, orders may be executed also OTC. In that case, upon request Equita SIM may show a price to the client – the “request for quote” (RFQ) mode – therefore when dealing on own account.

However, if the instrument is not traded on a regulated market or MTF, orders may be executed OTC only (for example, using Equita SIM's own account).

The orders concerning bonds listed on VORVEL Bonds upon request by the issuer are forwarded to that execution venue, the only one ensuring appropriate conditions of liquidability, transparency and efficiency for this kind of financial instruments.

### **C. Derivatives**

In this case the choice between alternative trading venues is limited. Therefore, the orders are executed on reference markets for the derivative instrument (for ex. IDEM: derivatives eligible to be traded on that Italian market; EUREX: derivatives eligible to be traded on that foreign market). Equita SIM believes that the mentioned markets ensure the best conditions in terms of liquidity, transparency and efficiency, thus minimising trading and settlement costs; moreover, they enable an excellent management of the guarantee margins required.

## ANNEX 1

### LIST OF EXECUTION VENUES

The following is a list of the main execution venues to which Equita SIM has direct access:

MIC CODE	DESCRIPTION	TYPE	INSTRUMENT
MTAA	Borsa Italiana - – Euronext Milan	RM	Azionario
ETFP	Borsa Italiana – Mercato telematico degli ETF, degli OICR aperti e degli strumenti finanziari derivati cartolarizzati (“ETFplus”)	RM	ETF/ETC
MOTX	Borsa Italiana – Mercato telematico delle obbligazioni (“MOT”)	RM	Obbligazionario
MIVX	Borsa Italiana – Euronext MIV Milan (“MIV”)	RM	Azionario
XDMI	Borsa Italiana – Mercato telematico degli strumenti derivati (“IDEM”)	RM	Derivati
EXGM	Borsa Italiana - Euronext Growth Milan	MTF	Azionario
XMOT	Euronext Access Milan	MTF	Obbligazionario
MTAH	Borsa Italiana – Mercato Telematico Azionario (“TAH”)	MTF	Azionario
SEDX	Borsa Italiana – Mercato SeDeX	MTF	Certificati, C.w.
ETLX	EuroTLX SIM - EuroTLX	MTF	Obbligazionario
HTMF	Vorvel Bonds	MTF	Obbligazionario
HMOD	Vorvel Equity Auction	MTF	Azionario
XEUR	EUREX DEUTSCHLAND	RM	Derivati
CEUX	Cboe Europe Equities MTF – DXE Lit Order Book	MTF	Azionario
BTFE	BLOOMBERG TRADING FACILITY LIMITED	MTF	Obbligazionario
GEM	Global Equity Market	MTF	Azionario
XPAR	Euronext Paris	RM	Azioni / ETF / ETC
XPMC	Euronext Paris	RM	ETF / ETC
XAMS	Euronext Amsterdam	RM	Azioni / ETF / ETC
XAMC	Euronext Amsterdam	RM	ETF / ETC

The following is a list of execution venues to which Equita SIM has indirect access:

## EUROPEAN MARKETS

<b>DESCRIPTION</b>
Aquis EU
Equiduct
Deutsche Boerse
Euronext Amsterdam
Euronext Brussels
Euronext Lisbon
Euronext Milan
Euronext Paris
Liquidnet Conditional EU
Liquidnet Dark EU
London Stock Exchange
Nasdaq OMX Copenhagen
Nasdaq Stockholm
Nasdaq OMX Helsinki
Nordic@Mid
Nasdaq Auction OD
Oslo Bors
Turquoise Lit Auction Periodic EU
Turquoise EU
Turquoise Plato MidPoint EU
Turquoise Plato Uncross EU
SIX Swiss Exchange
Virtu Financial EU
Virtu ITG POSIT EU
Virtu ITG POSIT Auction Conditional EU
Virtu ITG POSIT Auction EU
Jump Trading
MCE Madrid
BAH Vienna
XATH Atene
XDUB Dublino
CBOE DXE
CBOE LIS EU
CBOE DXE Dark
CBOE Periodic Auction EU
Citadel Connect EU
GS SigmaX MTF Auction Periodic EU
GS SigmaX MTF EU
Hudson River Trading EU

Instinet BlockMatch
Instinet BlockMatch Conditional
Jane Street EU
SwissAtMid
Tower Research Capital EU
UBS MTF

### ASIAN MARKETS

<b>DESCRIPTION</b>
AU ASX
CHIX Australia
CHI-X Japan
New Zealand SE
Tokyo SE
Hong Kong
Singapore SE
Daiwa Direct
DB ATS
Virtu ITG POSIT
CLSA
ASX Centrepoint
Instinet
Liquidnet
CitiMatch
JPM MX
Goldman Sigma X - AU
Chi-X Hidden
SBI Japannext
SBMC Nikko

### US MARKETS

<b>DESCRIPTION</b>
Instinet CBX
Instinet BlockCross
Instinet Canada Cross
Intelligent Cross
Investors Exchange
Alpha Exchange
Aqua
BAML Instinct X
Barclays LX

BYX Exchange
BYX Exchange Non-Displayed
BZX Exchange
BZX Exchange Non-Displayed
Canadian National SE
CHI-X Canada ATS
Coda Markets
CS Cross Finder
CX2
Deutsche Super-X
Virtu POSIT
JPM-X
Level ATS
Liquidnet H2O
Liquidnet Canada ATS
Long Term SE
Lynx ATS
MachNow
Members Exchange
MS Pool
UBS ATS
Citadel Connect
Jane Street
Virtu Equities Liquidity
Virtu Equities Liquidity Link
BIDS
EDGA
EDGX
Fidelity CrossStream
GS Sigma-X2
Hudson River
NASDAQ
Nasdaq BX
Nasdaq CXD
Nasdaq PSX
NEO Exchange – NEO-D (Dark)
NEO Exchange – NEO-L (Market by Order)
NEO Exchange – NEO-N (Market by Price)
NYSE National
NYSE American
NYSE
NYSE Arca

NYSE Arca Non Displayed
Omega ATS
Pure Trading
TSX Venture Exchange
UBS Conditional ATS
Virtu – Market Making
Virtu Matchit Conditional Session
Virtu Matchit Main Session
XTSE Toronto

Equita SIM may extend or reduce the list of venues covered by its services, sometimes in relation to specific trading channels.

## ANNEX 2

### LIST OF BROKERS

Equita SIM has indirect access (for receipt and transmission of orders) to the main European and non-European markets. In this case, clients' orders are transmitted to international brokers.

The current list of brokers is as follows:

1. For financial instruments traded on regulated markets, MTF, OTF or SI (excluding derivatives):

BofA Securities
CLSA Europe BV
Intesa San Paolo IMI Securities Corp
Jefferies GMBH
JP Morgan SE
Liberum Capital Ltd
Liquidnet Europe Limited
Morgan Stanley
TD Securities
Virtu Europe Trading Limited

2. For derivatives traded on regulated markets:

Banca IMI Securities Corp / Intesa Sanpaolo IMI Securities Corp
Banca Akros