

Best Execution Policy for Retail and Professional Clients

Bank of Ireland
Global Markets

Best Execution Policy for Retail and Professional Clients

1 Introduction and Application

- 1.1 Pursuant to the European Union (Markets in Financial Instruments) Regulations 2017 and the FCA Rules, both as amended and supplemented from time to time (the “**MiFID Regulations**”), we are required to put in place a best execution policy and to take all sufficient steps to obtain the best possible result for our Retail and Professional clients when executing orders on their behalf (which is known as **Best Execution**).
- 1.2 We will owe you a duty of Best Execution in circumstances where you legitimately rely on us to protect your interests in relation to pricing and other important elements of the transaction. This is likely to be the case where we execute your order by dealing as agent, by acting as riskless principal on your behalf and where we execute your order against our own proprietary position.
- 1.3 However, if you are Professional Client we may not owe you a duty of Best Execution where we publish or provide a quote following a request from you and you subsequently decide to enter into a transaction with us on the basis of that quote.
- 1.4 Also, if you are an Eligible Counterparty we do not owe you a duty of Best Execution and this policy does not apply.
- 1.5 The aim of this document is to provide an overview of how we execute orders on behalf of clients and the factors which we consider when buying or selling a financial instrument (the Policy).
- 1.6 Any costs and charges which you pay us in relation to your order are excluded for the purposes of considering whether we have complied with our Best Execution obligations since these costs and charges are disclosed to you separately on both an ex ante and ex post basis as detailed in our costs and charges disclosure available on our website at <https://corporate.bankofireland.com/library/>.

2 Scope

- 2.1 The Policy applies to Retail and Professional Clients in relation to the following financial instruments:
- (a) Interest rate swaps;
 - (b) Deposits without 100% capital protection;
 - (c) Forward rate agreements;
 - (d) Bonds, certificates of deposit and commercial paper;

- (e) Foreign exchange forward contracts which are not excluded under Article 10 of the Commission Delegated Regulation EU 2017/565 (See our Terms of Business, clause 11.5)
- (f) Foreign exchange call and put options;
- (g) Interest rate caps, floors and collars;
- (h) Equity swaps and options;
- (i) Inflation swaps and options; and
- (j) Any other product that is subject to the requirements of Best Execution which we execute on your behalf (collectively referred to below as the **Financial Instruments**).

- 2.2 The Policy will apply when we carry out an instruction from a Retail or Professional Client to buy or sell a Financial Instrument (an **Instruction**)

3. How we determine whether Best Execution is owed

- 3.1 Executing transactions on behalf of clients

We owe a duty of Best Execution when executing ‘transactions on your behalf’. We will be executing transactions on your behalf where you legitimately rely on us to protect your interests in relation to the pricing and other elements of the transaction such as speed and/or the likelihood of execution due to the choices we make. This may occur where we place an instruction, transmit it to a third party or trade on our own account.

- 3.2 Determining legitimate reliance

We will apply the following criteria to determine whether you are legitimately relying on us in relation to any MiFID II transaction:

- 3.2.1 Retail clients

If we have classified you as a Retail client we will assume that you place legitimate reliance on us to protect your interests in relation to all transactions in financial instruments.

- 3.2.2 Professional Clients

If we have classified you as a Professional Client how we determine whether or not Best Execution applies depends on the type of transaction you are seeking to execute with us. We will determine whether or not you are placing legitimate reliance on us by considering the non exhaustive factors outlined below (referred to as the “Four Fold Test”).

(i) Which party initiates the Transaction?
Where we approach you about a transaction this may be a consideration in determining whether you are more likely to be placing reliance on us. This does not include the provision of trade ideas or product information which can be independently assessed by you.

(ii) Questions of market practice and the existence of a convention to 'shop around'.
Where there is a practice that suggests you would "shop around" for a quotation then it is less likely you would be placing reliance on us.

(iii) The levels of price transparency within a market.
If you have ready access to prices in a particular market it is less likely you will be placing reliance on us.

(iv) The information provided by us and any agreement reached.
Where any agreement we have with you is clear that we do not provide a service that includes executing on your behalf and there is no other reason to suggest that you are placing reliance on us to protect your interests in relation to pricing or other elements of the transaction it is less likely that you are placing reliance on us.

Following consideration of all relevant factors including the "Four Fold Test" we will take a view as to whether they, when looked at in totality indicate legitimate reliance. Where we conclude that you are not placing reliance on us best execution will not apply.

4 How best execution will be achieved

4.1 When executing orders we will take all sufficient steps to obtain the best possible result under the circumstances for you, taking into account the following factors:

- (a) Price;
- (b) External Costs; any external costs relevant to the execution i.e.any external costs charged by a third party which are related to the transaction and are directly passed on to you e.g venue fees, clearing fees or settlement fees;
- (c) Speed;
- (d) Likelihood of execution and settlement;
- (e) Size;
- (f) Nature; and
- (g) Any other factor that we consider

relevant to the execution of your order including, but not limited to, the complexity of the Financial Instrument that is the subject of your Instruction, the liquidity of the relevant market and operational risks associated with the Financial Instrument that is the subject of your Instruction.

(referred to as the **Execution Factors**).

4.2 The criteria that we will take into account when carrying out your Instructions include:

- (i) the characteristics of you as the client, including your classification as a Retail or Professional Client;
- (ii) the characteristics of your Instructions;
- (iii) the characteristics of the Financial Instruments that are the subject of your Instructions; and
- (iv) the characteristics of the execution venues to which your order is directed (where appropriate).

4.3 When we carry out Instructions on behalf of a Retail Client, the best possible result will be assessed in terms of "total consideration", which is the price of the Financial Instrument as well as the costs relating to execution of the client order which shall include all expenses incurred by the client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

4.4 Speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs may be given precedence over the immediate price and cost consideration only insofar as they help to deliver the best possible result in terms of the total overall price and costs to the Retail Client.

4.5 When we carry out Instructions on behalf of a Professional Client, price will usually merit a high relative importance in obtaining the best possible result. However, in some circumstances and in relation to some clients, we may appropriately determine that other execution factors are more important than price in obtaining the best possible execution result.

5 Specific instructions

You are warned that if you provide us with a specific request in relation to an Instruction, we will, to the extent possible, execute the order in accordance with the specific request which may prevent us from taking the steps described in the Policy to obtain the best

possible result for the execution of your order. You should also be aware that trading rules for specific markets may prevent us from following certain specific requests. In the event that your specific request is incomplete or only relates to part of an order, we will determine any non-specified aspects of the execution in accordance with the Policy.

6 Execution venues

As we operate in the over-the-counter (OTC) market, we typically do not use execution venues. However, if we decide to use an execution venue in relation to your Instruction, we will inform you of the execution venue on which we are placing significant reliance in order to fulfil our obligation to take all sufficient steps to obtain, on a consistent basis, the best possible result for the execution of your Instruction. Where that execution venue is not also a trading venue (such as regulated markets, multilateral trading facilities and organised trading facilities), you will be required to provide express consent to us to execute your order outside of a trading venue.

7 Our Costs and Commissions:

For certain Financial Instruments we will provide you with a single all-in price which is made up of the following components: the price of the Financial Instrument, including any bid/offer spread; the costs associated with the execution of the Financial Instrument, including execution venue fees (where applicable), clearing and settlement fees and other fees paid to third parties involved in the execution; the margin rate (where applicable) and our fees and remuneration.

7.1 Price Formation

The price at which we transact in a particular instrument with you, is called the “**Final Instrument Price**”.

Formation of a Final Instrument Price in the **Macro businesses** (consists of Foreign Exchange, Rates and e-Trading of Macro products) generally takes the following approach:

- A basic instrument price is determined, which, for vanilla OTC financial instruments, is based on the mid-price of the relevant instrument.
- This basic instrument price is adjusted to take account of other factors including observable market prices, liquidity, executed transactions, volatility data, other market data, internal models and observable trade flows.

- Internal hedging costs are applied to create an instrument price.
- Additional costs and charges, taking into account factors including credit and trade margin, related to the financial instrument are then applied on top of the instrument price to form the Final Instrument Price.

In order to provide full transparency we will provide you with disclosure of costs and charges post trade based, where possible, on the mid price of the financial instrument. In some cases we may base the post trade disclosure on the actual price at which we have transacted in the external market.

8 Order execution process and the relative importance of the execution factors

When you place an order with us and we execute it against our own proprietary position we may subsequently hedge this position externally in the market or internally through our trading division. In other instances, we may decide not to hedge and will instead keep the risk of the transaction on our own books.

In transacting derivatives with clients Bank of Ireland Global Markets will typically not use execution venues but enter into OTC contracts with you (as per paragraph 5 above). You should consider the following factors when trading off-venue:

Credit Risk: When trading an OTC contract with Bank of Ireland the client will be exposed to the credit risk of Bank of Ireland. This differs from transacting on an execution venue where the transactions are centrally cleared and hence the credit risk centralised.

Liquidity: As OTC contracts are tailored to meet the specific needs of the client, the liquidity of these products is limited, and they may not have a liquid secondary market.

Transparency: OTC contracts are less transparent than standardised venue-traded contracts in relation to pricing, valuation and data availability.

Appropriateness: The bespoke nature of an OTC contract allows the client to trade a product most appropriate for its specific needs and risk appetite.

In relation to the Financial Instruments listed at paragraph 2.1 above, the price which is offered to you is based on a number of factors which are described more fully below, 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 Retail or Professional Client and the type of Financial Instrument to which the Instruction relates. The following is a brief description of the order execution process and of the relative importance we assign to the

Execution Factors in relation to each Financial Instrument. The latter is subject to change on a transaction by transaction basis where necessary in order to achieve best execution of your Instruction.

8.1 Interest rate swaps:

When executing orders relating to interest rate swaps for Retail Clients, price and cost are the most important factors (i.e. total consideration), followed by the size of the order and its complexity. Unless otherwise specified in the Policy, the complexity of an order is assessed on the basis of whether it relates to a standardised or non-standardised Financial Instrument. Orders relating to non-standardised Financial Instruments will be more complex. For Professional Clients, price is the most important Execution Factor followed by cost, size and the complexity of the order. The price quoted to clients will be either the market rate with an explicit credit spread or an all-in price.

8.2 Deposits without 100% capital protection:

When executing orders relating to deposits without 100% capital protection for Retail Clients, price and cost are the most important factors (total consideration), followed by the size of the order and its complexity (i.e. whether it relates to a standardised or non-standardised Financial Instrument). For Professional Clients, price is the most important factor followed by cost, size and the complexity of the order.

8.3 Forward rate agreements:

When executing orders relating to forward rate agreements for Retail Clients, price and cost are the most important factors (total consideration), followed by the size of the order and its complexity (i.e. whether it relates to a standardised or non-standardised Financial Instrument). For Professional Clients, price is the most important factor followed by cost, size and complexity.

8.4 Bonds, certificates of deposit and commercial paper:

When executing orders relating to bonds, certificates of deposit and commercial paper for Retail Clients, price and cost are the most important factors (total consideration), followed by the size of the order and its complexity (i.e. whether it relates to a standardised or non-standardised Financial Instrument). For Professional Clients, price is the most important factor followed by cost, size and the complexity of the order.

8.5 Foreign Exchange Forward contracts:

When executing orders relating to foreign exchange forward contracts for Retail Clients, price and cost are the most important factors (total consideration), followed by the size of the order. For Professional Clients, price is the most important factor followed by cost, size and the complexity of the order.

8.6 Foreign exchange call and put options:

The high level terms of foreign exchange call and put option contracts are provided to the client pre trade. The price offered to clients is in part determined by how much it costs us to hedge a position. An upfront premium which includes our remuneration is quoted to the client.

When executing orders relating to foreign exchange call and put options for Retail Clients, price and cost are the most important factors (total consideration), followed by the size of the order and its complexity (i.e. whether it relates to a standardised or non-standardised Financial Instrument). For Professional Clients, price is the most important factor followed by cost, size and the complexity of the order.

8.7 Interest rate caps, floors and collars:

The high level terms of interest rate caps, floors and collar contracts are provided to the client pre trade. The price offered to clients is in part determined by how much it costs us to hedge a position. An upfront premium which includes our remuneration is quoted to the client.

When executing orders relating to interest rate caps, floors and collars for Retail Clients, price and cost are the most important factors (total consideration), followed by the size of the order and its complexity (i.e. whether it relates to a standardised or non-standardised

Financial Instrument). For Professional Clients, price is the most important factor followed by cost, size and the complexity of the order.

8.8 Equity swaps and options:

When executing orders relating to equity swaps and options for Retail and Professional Clients, complexity is the first consideration as it determines whether we can execute the transaction. In the context of equity options, complexity is assessed on the basis of the number of counterparties available in the market. This means that the fewer counterparties that are available, the more complex the order. When executing orders relating to equity swaps and options for Retail Clients, price and cost (total consideration) are the second most important of the Execution Factors followed by cost and size of the order. When executing orders relating to equity swaps and options for Professional Clients, price is the second most important of the Execution Factors followed by cost and size of the order.

8.9 Inflation swaps and options:

When executing orders relating to inflation swaps and options for Retail Clients, price and cost are the most important factors (total consideration), followed by the size of the order and its complexity (i.e. whether it relates to a standardised or non-standardised Financial Instrument). For Professional Clients, price is the most important factor followed by cost, size and the complexity of the order.

9 Monitoring and review

9.1 We monitor compliance with this Policy on an ongoing basis.

9.2 We review our Best Execution arrangements regularly and at least annually and whenever a material change occurs that may affect our ability to continue to obtain the best possible result for our clients.

9.3 We will notify you of any material changes by sending you a new copy of this Policy.

9.4 You may request at any time that we demonstrate that we have carried out your Instructions in accordance with this Policy.

10 Consent

10.1 We are required to obtain your prior consent to the terms of this Policy. You will be deemed to provide such consent and to have accepted this Policy whenever you provide an Instruction

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