



Asset Management & Services

Information on the quality of execution 2019

With the introduction of MIFID II and its implementation into national law the Asset Management of Baader Bank AG commits itself to annually summarizing and publishing the most important trading venues with regards to the trading volume as well as information concerning the achieved execution quality for every asset class. The below annotation is solely relevant to “professional clients”.

1. Explanation of the relative importance of the execution factors

Orders on assets are placed in consideration of all information available. When deciding on the selection of intermediaries and their execution of orders, the Bank considers the following criteria relevant for achieving the best possible result:

- Price of the asset
- Cost for executing the order
- Speed of execution
- Likelihood of execution and settlement
- Market liquidity
- Counterparty credit rating
- Settlement procedures and safety of execution
- Scope and type of order

The relative weighting of these criteria and therefore the placement of orders takes place on the assumption that the best possible result should be achieved in consideration of all costs associated with the execution transactions. When deciding on issuing the order, intermediaries are considered, in particular, based on the customary price fluctuations related to assets. These intermediaries shall consistently ensure a cost-effective, complete and timely execution of the transaction. In particularly straightforward cases, further relevant criteria (e.g. market influence of the order, security execution) may be weighted more heavily when selecting intermediaries.

The significance of the above criteria may differ depending on the type of the mandate, the trading decision, the investment policy of the asset or the category of the assets purchased or sold. In order to take the particularities of the investment assets concerned and the assets purchased or sold for this purpose into consideration, the above criteria are weighted in consideration of the following factors:

- Characteristics of the client in question such as objectives, investment policy and specific risks of the investment asset as represented in the sales prospectus or in the investment conditions
- Characteristics of the client order
- Characteristics of the assets or other financial assets subject of the order in question
- Characteristics of the execution platform to which the order can be forwarded
- Current market conditions

Equities – Shares & Depositary Receipts

Generally equity orders get routed to an intermediary, which has the respective knowledge within the stock and country, to be executed on the primary exchange with the highest liquidity.

The main criteria for the choice of broker are weighed in order of importance as follows:

- Market liquidity
- Price of the financial instrument
- Cost for executing the order
- Scope/type of the order
- Speed/likelihood of execution resp. settlement

Debt instruments (Bonds, Money market instruments)

Debt securities are mainly traded on the OTC market and can be very complex. The use of a MTF (Multilateral-Trading-Facility) – a regulated electronic trading platform where competing quotes are requested from several counterparties simultaneously by RFQ (Request For Quote) – is generally targeted. The choice of counterparties is based on quotes, price indications and the likelihood of execution. However, in particular situations, e.g. illiquid markets/products or a bigger order size, it can be sensible to only request a quote from one counterparty. Moreover it is possible, that only one counterparty is capable of quoting the asset. In this circumstance the trading desk can undertake a dynamic evaluation of the execution factors and decide situationally, to avoid disadvantageous price changes. The quoted price is thereby verified with suitable resources regarding market conformity.

The main criteria for the choice of broker are weighted in order of importance as follows:

- Price of the financial instrument
- Likelihood of execution
- Scope/type of the order

Interest rates derivatives (Futures and options admitted to trading on a trading venue, Swaps, forwards, and other interest rates derivatives)

Exchange traded:

Execution of exchange traded derivatives takes place on the usual exchanges via an intermediary/broker. The broker must be coordinated and approved by the fund administrator (KVG) of the fund, as a give-up agreement needs to be drafted before.

Principally below prioritization of the execution factors apply. Under certain circumstances other execution factors, e.g. coverage of the trading desk or access to certain markets, may be more important to achieve the best possible execution.

The main criteria for the choice of a broker are weighted in order of importance as follows:

- Cost of execution
- Price of the financial instrument
- Speed of the execution
- Quality of clearing

If the order size of exchange traded derivatives exceed the block size minimum, they can be traded via the RFQ protocol, provided this is conventional for the traded instrument. Quotes are requested from several brokers simultaneously. In this case, the price in connection with the quality of the settlement are seen as the most important criteria for the execution. This may change, if a better price or higher liquidity is expected due to the exclusivity of the request.

OTC :

Not relevant

Credit derivatives (Futures and options admitted to trading on a trading venue, other credit derivatives)

Not relevant

Currency derivatives (Futures and options admitted to trading on a trading venue, Swaps, forwards, and other currency derivatives)

Exchange traded:

Execution of exchange traded derivatives takes place on the usual exchanges via an intermediary/broker. The broker must be coordinated and approved by the fund administrator (KVG) of the fund, as a give-up agreement needs to be drafted before.

Principally below prioritization of the execution factors apply. Under certain circumstances other execution factors, e.g. coverage of the trading desk or access to certain markets, may be more important to achieve the best possible execution.

The main criteria for the choice of a broker are weighted in order of importance as follows:

- Cost of execution
- Price of the financial instrument
- Speed of the execution
- Quality of clearing

If the order size of exchange traded derivatives exceed the block size minimum, they can be traded via the RFQ protocol, provided this is conventional for the traded instrument. Quotes are requested from several brokers simultaneously. In this case, the price in connection with the quality of the settlement are seen as the most important criteria for the execution. This may change, if a better price or higher liquidity is expected due to the exclusivity of the request.

OTC:

In consultation with the respective fund administrator (KVG) foreign exchange forwards are generally traded via the respective custodian or other brokers, which have been approved by the fund administrator (Third Party Transaction). Provided that different counterparties are available, the use of a MTF (Multilateral-Trading Facility) – a regulated electronic trading platform where competing quotes are requested from several counterparties simultaneously by RFQ (Request For Quote) – is generally targeted.

Structured finance instruments

Orders associated with structured finance instruments are either executed bilateral directly with the issuer or routed to a broker to be traded on an exchange.

The main criteria for the choice of broker are weighted in order of importance as follows:

- Market liquidity
- Price of the financial instrument
- Cost of execution

Equity Derivatives (Options and Futures admitted to trading, Swaps and other equity derivatives)

Exchange traded:

Execution of exchange traded derivatives takes place on the usual exchanges via an intermediary/broker. The broker must be coordinated and approved by the fund administrator (KVG) of the fund, as an give-up agreement needs to be drafted before.

Principally below prioritization of the execution factors apply. Under certain circumstances other execution factors, e.g. coverage of the trading desk or access to certain markets, may be more important to achieve the best possible execution.

The main criteria for the choice of a broker are weighted in order of importance as follows:

- Cost of execution
- Price of the financial instrument
- Speed of the execution
- Quality of clearing

If the order size of exchange traded derivatives exceed the block size minimum, they can be traded via the RFQ protocol, provided this is conventional for the traded instrument. Quotes are requested from several brokers simultaneously. In this case, the price in connection with the quality of the settlement are seen as the most important criteria for the execution. This may change, if a better price or higher liquidity is expected due to the exclusivity of the request.

OTC:

Due to their individual configuration, OTC derivatives are generally traded bilaterally with the respective counterparties. OTC counterparties must be approved by the respective fund administrator (KVG), as standardized agreements have to be finalized in advance.

Securitized Derivatives (Warrants and Certificate Derivatives, other securitized derivatives)

Orders associated with securitized derivatives are either executed bilateral directly with the issuer or routed to a broker to be traded on an exchange.

The main criteria for the choice of a broker are weighted in order of importance as follows:

- Market liquidity
- Price of the financial instrument
- Cost of execution

Commodities derivatives and emission allowances Derivatives (Options and Futures admitted to trading on a trading venue, other commodities derivatives and emission allowances derivatives)

Not relevant

Contracts for difference

Not relevant

Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)

Generally orders in exchange traded products get routed to an intermediary - which has the respective knowledge within the stock and country - to be executed on the primary exchange with the highest liquidity. Depending on the order size Exchange Traded Funds (ETF's) are also traded on a MTF (Multilateral-Trading Facility) – a regulated electronic trading platform where competing quotes are requested from several counterparties simultaneously by RFQ (Request For Quote).

The main criteria for the choice of broker are weighted in order of importance as follows:

- Market liquidity
- Price of the financial instrument
- Cost of execution
- Scope/type of the order
- Speed/likelihood of execution resp. settlement

The purchase of target funds get executed at NAV directly with the issuing fund administrator or with the custodian.

Emission allowances

Not relevant

Other instruments

In consultation with the respective fund administrator Spot Foreign Exchange transactions are generally executed with the custodian.

The main criteria for the choice of broker are weighed in order of importance as follows:

- Specification of the fund administrator
- Price of the financial instrument
- Cost of execution
- Likelihood of settlement

2. Description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders

Baader Bank AG is on the broker list of the Asset Management & Services department. The brokerage of Baader Bank AG is structured as an independent entity. As all counterparties on the broker list they are considered as an execution entity which achieves best execution for the client. They are subject to the exact same selective process as the other counterparties.

3. Description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received

There are no specific arrangements with any execution venues regarding payments (made or received), discounts, rebates or non-monetary benefits received.

4. Explanation of the factors that led to a change in the list of execution venues listed in the firm's execution policy, if such a change occurred

The selection process for brokers and counterparties is performed by the Asset Management of Baader Bank AG in compliance with all regulatory requirements as well as in consideration with the Best Execution Policy. Generally, only counterparties will be approved, who themselves have appropriate arrangements in order to comply with all regulatory requirements.

In the past year no broker - with the exception of Deutsche Bank who closed their Equities business - was deleted from the broker list. Due to the Brexit preparation a few counterparties changed their legal entities to a European one, but without any consequences to the quality of execution. The network of counterparties was selectively expanded. Existing relationships were further developed in order to improve coverage of some specific product segments in the USA and Asia. Furthermore our continuous endeavor to optimize and search for liquidity lead us to the decision to implement another Bond trading platform (MTF).

5. Explanation of how order execution differs according to client categorization, where the firm treats categories of clients differently and where it may affect the order execution arrangements

Not relevant, as only one client category - professional clients - exists.

6. Explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client

Not relevant, as only one client category - professional clients - exists.

7. Explanation of how the Asset Management of Baader Bank AG has used any data or tools relating to the quality of execution, including any data published under RTS 27 by the execution venues

The whole portfolio of Bloomberg Data and Analytics Tools are used to evaluate the execution quality. They can be complemented by a brokers's Transaction Cost Analysis (TCA).

8. Explanation of how the Asset Management of Baader Bank AG has used output of a consolidated tape provider

Information from a Consolidated Tape Provider – CTP was not used.