

Execution Policy

Zenith Bank (UK) Ltd ('ZBUK') buys and sells financial products for its clients: retail, professional and eligible counterparties. This Policy applies when executing orders for ZBUK's retail and professional clients only ('clients' for the purpose of this policy).

The regulatory obligations placed on ZBUK when executing client's orders can be found in the Second Markets in Financial Instruments Directive (MiFID II), and the Financial Conduct Authority's (FCA) Conduct of Business Sourcebook (COBS) 11. This policy will outline how ZBUK fulfils these regulatory obligations; namely obtaining the best possible result for clients, treating them fairly and correctly managing any conflicts of interest.

Best Execution

When executing client orders, ZBUK will take all sufficient steps to obtain the best possible result for our clients (best execution). ZBUK will aim to achieve best execution when it accepts an order to execute a transaction for one of its clients. In obtaining the best possible result, ZBUK will consider the following six factors:

- Price
- Costs
- Speed
- Likelihood of execution and/or settlement
- Size, nature and complexity of the order
- Any other relevant consideration

ZBUK will consider all execution factors listed above. And while price will generally be the most important factor for ZBUK's clients, the 'best possible result' will generally be based on the total amount that a client must pay. Therefore finding the lowest quoted price will not be best for the client if the overall cost is higher than other options once any associated dealing and execution costs are factored in.

When executing orders and determining the importance of the execution factors listed above, ZBUK will consider the following criteria:

- Type of product to be executed
- Type of the client
- The execution venues to which product can be traded

These are covered in more detail throughout this policy.

Warning: Specific Instructions

When placing orders with the Bank, clients giving specific instructions setting out how an order is to be executed may interfere with our ability to execute the order in accordance with our Execution Policy.

Scope

When executing orders in regulated financial products, ZBUK will seek to achieve best execution when a client legitimately relies on it to achieve best execution.

Clients

For all retail clients, there is an assumption that they legitimately rely on ZBUK to achieve best execution. Therefore this policy will always apply to ZBUK's retail clients in its entirety.

For ZBUK's professional clients, ZBUK will aim to achieve best execution but only where the client legitimately relies on us to do so. There is no assumption made and in determining whether a professional client legitimately relies on ZBUK to achieve best execution, ZBUK will consider the following factors:

- **whether the professional client initiated the transaction** – if this is the case, the suggestion is that it is less likely that the professional client is placing reliance on ZBUK
- **questions of market practice and the existence of a convention to ‘shop around’** – where market practice suggests that a professional client takes responsibility for the pricing and for obtaining quotes from various sources, it is less likely that the professional client is placing reliance on ZBUK
- **the relative levels of price transparency within a market** – if ZBUK has access to prices in the market in which it operates and the professional client does not, it is more likely that the professional client is placing reliance on ZBUK
- **any agreement reached with the professional client regarding best execution** – if ZBUK has an agreement with the professional client which states that ZBUK will not provide best execution, it is less likely that the professional client is placing reliance on ZBUK, and vice-versa.

All of these factors will be considered together by ZBUK in determining if a professional client places reliance on it to achieve best execution, and therefore if this policy applies. A typical example of when a client will not place reliance on ZBUK is where they have initiated the order based on a quote provided for a fixed-income security or foreign currency forward.

However, if a professional client is in any doubt as to whether ZBUK will be following this policy to achieve best execution for their order, or wants ZBUK to follow this policy even though ZBUK has concluded that there is no reliance from the professional client in achieving best execution, they should contact their relationship manager to discuss this further.

Products

Financial products that ZBUK currently deal in for its clients, and the varying ways in which ZBUK achieves best execution depending on these categories of financial product, can be found below:

- **fixed income securities** (including sovereign bonds and corporate Eurobonds)

These trades are executed on an OTC (over the counter) basis. Such transactions do not involve an exchange, but are conducted via ZBUK's relationship with appropriate counterparties. ZBUK will usually act as principal in such trades – executing at a risk price, taking the position on its balance sheet and managing the market risk arising.

Therefore in achieving best execution for clients, ZBUK matches or improves upon the best executable price available on the market at the time an order is placed, to ensure that the client receives a ‘best’ executable price in a timely manner.

During this process, ZBUK utilises pricing tools on Bloomberg alongside trading platforms and broker price runs. When executing orders in OTC products, ZBUK will check the fairness of the price proposed by gathering market data used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

With less liquid products, there might be only one liquidity provider and therefore only one available price.

- **units in investment funds** (including shares in open-ended investment companies)

These will be traded directly with the fund manager as opposed to on an exchange. This means there will be a fixed price on any given day.

- **FX forwards within scope of MiFID** (including NDFs)

ZBUK will deal as principal for these trades. When executing a client order ZBUK will check the live published pricing to help it determine the price. As ZBUK will be acting as principal, the sole execution factor that it will take into account when executing foreign currency forwards is price. Therefore ZBUK will not take into account other execution factors such as speed or the likelihood of execution when executing foreign currency forwards, unless specifically requested by the client.

If, at any time, ZBUK executes any other financial product for its clients which falls under the definition of a financial instrument within MiFID II, this Policy will apply. FX transactions conducted at spot rate do not fall under the scope of MiFID II and as such, are not covered by this Policy.

In certain circumstances, ZBUK may execute the purchase and sale of the same financial instrument between clients' two or more clients – known as a 'matched bargain'. ZBUK will only ever undertake this where it believes, and is able to demonstrate, that this will secure the best possible result for all ZBUK clients.

Transactions for each client account will generally be executed independently unless ZBUK is purchasing or selling identical securities for several clients at approximately the same time. ZBUK may (but is not obligated to) combine or "batch" such orders to negotiate more favourable commission rates or to allocate equitably among clients any other costs involved. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among ZBUK's clients in proportion to the purchase and sale orders placed for each client account on any given day. If ZBUK cannot obtain execution of all the combined orders at prices or for transactions costs that it believes are desirable, ZBUK will allocate the securities it does buy or sell as part of the combined orders by following its order allocation procedures.

Execution Venues and Brokers

The execution venues and brokers on which ZBUK places reliance in order meet its best execution obligations, and the relevant factors for selecting a particular venue or broker, vary depending on the class of financial instruments.

In all cases, ZBUK will carefully select a trading venue or broker to execute transactions or transmit orders with the aim of obtain the best execution for its clients. In doing so, ZBUK will also consider the following factors:

- price available
- costs and charges
- reputation and financial stability
- access to markets
- speed, responsiveness and promptness of execution
- liquidity
- ability to handle orders and trades for international customers

ZBUK will publish the top five execution venues in terms of trading volumes for all executed client orders per class of financial products in accordance with current regulation. In the fixed income market during 2019 ZBUK dealt as principal in all trades and as such, it was the sole execution venue.

ZBUK, as an execution venue, refers to ZBUK executing client orders using its own internal sources of liquidity. Please find further details on our Execution Venues for 2019 on our website.

Conflicts of Interest

There are inherent conflicts of interest which arise when ZBUK executes orders for its clients. These will be identified and managed accordingly – ZBUK and all of its employees must abide by ZBUK's Conflicts of Interest Policy.

In summary, conflicts may arise when executing client orders in the following cases:

- between ZBUK and its clients (where ZBUK deals as principal)
- between two or more clients of ZBUK (where there is a 'matched bargain').

In all cases, this Policy must always be followed in order to achieve the best possible outcome for ZBUK's clients. If best execution is compromised and cannot be achieved as a result of a conflict of interest, ZBUK will directly inform the client of the situation.

Consent

All clients are deemed to have accepted this policy by agreeing to ZBUK's Terms and Conditions.

ZBUK requires express consent when executing client orders outside of a trading venue. Such consent will be obtained from a client prior to executing the client's order and ZBUK will continue to act in the best interests of its client at all times.