

COMMERCIAL BANKING

OUR APPROACH TO BEST EXECUTION

1. Introduction to the obligation of best execution

This document explains Lloyds Bank's approach to best execution regulations and details how we intend to meet our best execution obligation in our dealings with you. "**Lloyds Bank**" shall be either Lloyds Bank plc ("LB") or Lloyds Bank Corporate Markets plc ("LBCM").

Best execution may be owed to you where you are a Retail Client, or you are a Professional Client and where we deem that you are legitimately reliant on us. If you are an Eligible Counterparty, then best execution will generally not apply unless you request otherwise, although we are still required to treat you fairly.

The Best Execution obligation requires investment firms to take sufficient steps to obtain, when executing orders on behalf of clients, the best possible result for clients taking into account the execution factors as defined below in Section 2.

2. Our approach to best execution

We may owe you best execution when we are deemed to be acting on your behalf, as described further below. We always deal with clients as principal and operate primarily in request for quote markets.

Best Execution obligations may not apply where we provide you with a quote for a particular product, or respond to a request or inquiry from you, and if you do not legitimately rely on us to protect your interests in relation to important elements of the transaction. Please see below for more information on the meaning of legitimate reliance.

Where you **request a quote** from us, we will owe you a duty of best execution if:

- a) we have classified you as a **Retail client** - as you legitimately rely on us to protect your interests in relation to pricing and other parameters of the transaction; or
- b) we have classified you as a **Professional client** and have determined you legitimately rely on us to protect your interests in relation to pricing and other important elements of the transaction, having assessed the nature and relevant circumstances of the particular transaction such as whether you have the ability to source quotes from other providers at a transaction level.

Consideration of whether a Professional client will be considered to be legitimately relying on us includes:

- (i) *Which party initiates the transaction* – where the client initiates the orders, it is less likely the client is placing reliance on us.
- (ii) *Questions of market practice and the existence of a convention to “shop around”* – where market practice for a product or asset class suggests the client will have access

- to various providers to provide quotes and clients can shop around, it is less likely the client will place legitimate reliance on us;
- (iii) *The relative levels of price transparency in the market* – where pricing information is transparent, it is reasonable the client has access to such information and it is less likely the client will place legitimate reliance on us
 - (iv) *Information provided by us and any agreement reached* - where agreements with the client (including through provisions within this approach document) indicate or suggest the client is not placing legitimate reliance on us.

In certain circumstances and for certain products, we may accept orders to deal in some specific way, as per your instruction (“**Orders**”). An order will only arise where we agree to trade a financial instrument with you, all trade parameters have been agreed and you have given us a firm instruction to deal. Any duty of best execution will be subject to the specifics of your Order and your dealing instructions. As principal, we may accept Orders in accordance with our order execution and handling approach document (www.lloydsbank.com/assets/commercial/pdfs/our-approach-to-order-execution-and-handling.pdf).

Quote-driven activity such as requests for quotes, price streams, call levels, and indications of interest do not meet the criteria to be considered orders. An order will only arise from such activities should we agree to trade a financial instrument with you having first agreed all trade parameters with you and secondly received a firm instruction from you to deal. For further information on the type of Orders we accept, please contact your Lloyds Bank representative.

Lloyds Bank plc sources prices from Lloyds Bank Corporate Markets plc. This does not affect our obligation to provide Best Execution.

3. Application of Best Execution

Where Best Execution applies, we take steps to deliver the best possible result by assessing the below execution factors. However, there may be times where we are unable to achieve best execution and are required to execute orders or transactions in a manner which differs from our normal practice. Those situations would be for example, where systems fail or for other reasons outside of our control, we may be required to execute orders or transactions in a manner which differs from our normal practice. In such situations we will endeavour to perform our regulatory obligation to the best of our ability, having regard to all of the circumstances.

Our obligation to provide Best Execution does not amount to a condition of any transaction and any failure to provide Best Execution will not entitle you to cancel, terminate or rescind any transaction.

Execution Factors

When undertaking a trade where a duty of Best Execution applies, and subject to any specific Client instructions, the Bank will take into account the following execution factors:

- a) price
- b) costs
- c) speed of execution
- d) likelihood of execution and settlement ability (liquidity)

- e) size of transaction
- f) nature, type and characteristics of the financial instrument
- g) Characteristics of the possible execution venues; and
- h) Any other consideration relevant to the execution of the order (i.e. managing the potential market impact of trade especially for illiquid market).

The applicability of, and importance attached to each Execution Factor will vary according to the type of transaction that is being executed and the instructions that you give us. The sections below set out how the execution factors are applied by client categorisation.

Retail clients

Where we have classified you as a Retail client, price and costs (total consideration) are considered the factors of highest importance in the absence of any explicit instructions from you to the contrary.

Professional clients

We will generally give the highest priority to the total consideration, factoring in the size, nature and characteristics of the Order when representing the price of the product and the costs relating to execution.

We understand that for certain Professional clients, other factors such as the likelihood of execution, may be a more important factor.

The following criteria will be taken into consideration to determine the weighing of execution factors:

- (i) The client, including categorisation of the client;
- (ii) The client order or type of transaction;
- (iii) The type of financial instrument or transaction to which the order or transaction relates;
- (iv) Any relevant instruction you may have given us; and
- (v) Any other relevant criteria.

We will use our professional and commercial judgment to ensure that we have taken all sufficient steps to deliver the best possible result to you in accordance with our obligations.

Eligible Counterparties

If you are an Eligible Counterparty or an Institutional Client, then best execution will generally not apply, unless you request otherwise.

4. Execution venues

Any Order you conclude with us, or any transaction you enter into with us, will be on a Principal to Principal basis. We do not direct orders as agent to other execution venues.

We will have regard to the wider market in the relevant product when seeking to achieve Best Execution. As such your orders or transactions will be executed outside a regulated market, multilateral trading

facility, or organised trading facility where counterparty risk may arise -and you have consented to this in accordance with the Terms of Business.

5. Specific instructions

When we receive your specific instructions in relation to the execution of an Order or transaction we will act in accordance with those specific instructions. This may prevent us from aligning with our approach to best execution. By following your instructions we will be deemed to have met our regulatory obligation of best execution to you in relation to such elements of the Order or transaction subject to your instruction.

6. Monitoring and review

We will regularly monitor and assess the effectiveness of our best execution arrangements and approach in order to identify and, where appropriate, address any deficiencies, and to comply with our obligation to provide best execution. Relevant assessments will be conducted on a regular basis. Additionally, we will review our best execution arrangements and approach annually, or more frequently where a material change occurs that affects our ability to continue to obtain the best possible result for our clients' Orders. We will notify you of any material changes to our best execution arrangements or policy via our Terms of Business. Should you require any further details about the manner in which we monitor and review our best execution approach please contact your Lloyds Bank representative.

Our approach to best execution is current as at the date of this document, and this approach shall supersede any prior notification or statement we have made in relation to best execution.

7. Best execution reports

In the UK, the FCA revoked the requirement for UK firms to publish Quarterly (RTS 27) and Annual (RTS 28) best execution reports on 1st December 2021. Therefore Lloyds Bank will no longer publish RTS 27 or RTS 28 reports from this date. Any previously published reports will be available on the Lloyds website at [Lloyds Bank Commercial Banking | Best Execution under MiFID II](#) for a minimum of two years.

8. Your consent

The FCA requires us to obtain your consent to this approach as summarised above. If you place an Order or transact with us after you have received this summary as part of our General Terms of Business or otherwise, you will be deemed to have consented to our approach.

Lloyds Bank is a trading name of Lloyds Bank plc and Lloyds Bank Corporate Markets plc. Lloyds Bank plc. Registered Office: 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 2065. Lloyds Bank Corporate Markets plc. Registered office 25 Gresham Street, London EC2V 7HN. Registered in England and Wales no. 10399850. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under registration number 119278 and 763256 respectively.