

# OUR APPROACH TO BEST EXECUTION UNDER MIFID II

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## 1. Introduction to the obligation of best execution

This document explains Lloyds Bank's<sup>1</sup> approach to best execution and details how we intend to meet our best execution obligation in our dealings with you. For the purpose of this disclosure document "Lloyds Bank" shall be Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH ("us", "we" or "our").

We have a regulatory obligation to provide our Professional classified clients<sup>2</sup> with "best execution" when executing orders or transactions on their behalf in relation to certain financial instruments.

## 2. Our approach to best execution

The best execution obligation may be owed to you when we are deemed to be acting on your behalf. As you are aware, we always deal with you as principal and operate primarily in request for quote markets.

The best execution obligation may not operate when we provide you with a quote for a particular product, or respond to a request or inquiry by you, and if you do not legitimately rely on us to protect your interests in relation to important elements of the transaction.

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

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<sup>1</sup>

*Lloyds Bank is a trading name of Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH. Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH is a wholly-owned subsidiary of Lloyds Bank Corporate Markets plc. Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH has its registered office at Thurn-und-Taxis Platz 6, 60313 Frankfurt, Germany. The company is registered with the Amtsgericht Frankfurt am Main, HRB 111650. Managing director: Eva Porz and Ameet Barve. Vat number: DE321667438. Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH is authorised and supervised by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin"), ID number 150348.*

<sup>2</sup> As defined in the Markets in Financial Instruments Directive II (Directive 2014/65/EU, MiFID II)

having assessed the nature and relevant circumstances of the particular transaction such as whether you have the ability to source quotes from other providers.

The determination above is known as the “Four Fold Test”, and entails a consideration of: (i) which party initiates the transaction; (ii) questions of market practice and the existence of a convention to “shop around”; (iii) the relative levels of price transparency in the market; and (iv) the information provided by us and any agreement reached.

In certain circumstances, and for certain products, we may accept orders to deal in some specific way, as per your instruction (“Orders”). Our regulatory duty of best execution in these circumstances will be affected by the specifics of your Order and your instructions to us. We, acting as principal, may accept Orders from you as a Professional client, and will act in accordance with our order execution and handling approach. For further information on what products we accept Orders in, please contact your Relationship Manager. It should be noted that we will be sourcing prices from Lloyds Bank Corporate Markets plc. If we owe you best execution, this will not remove our responsibility and we will continue to monitor that we are providing best execution.

### **3. Execution factors**

#### **Professional clients**

Where we have classified you as a Professional client, the execution factors below refer to the considerations and choices which we are required to make when we deal with you when we owe you a regulatory duty of best execution:

- a) price
- b) costs
- c) speed of execution
- d) likelihood of execution and settlement ability
- e) size of transaction
- f) nature or characteristics of the order or transaction
- g) credit and liquidity considerations
- h) such other matters that may be relevant to the specific Order or transaction having regard to the prevailing market conditions.

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

We understand that for certain Professional client’s Orders, other factors such as the likelihood of execution may be a more important factor. Depending on the characteristics of: (i) the order or type of transaction; (ii) the type of transaction to which the order or transaction relates; (iii) any relevant instruction you may have given us; and (iv) 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 regulatory responsibility.

Where the best execution obligation applies, we will take all sufficient steps to ensure that we deliver the best possible result to you taking account of the above execution factors. However, you should be aware that this does not mean that we can guarantee that on every occasion we will achieve best execution for your orders. Where systems fail, or for other reasons beyond our control, we may execute orders or transactions in a manner which differs from our normal practice. In these situations we will endeavour to perform our regulatory obligation to the best of our ability, having regard to all of the circumstances.

Under no circumstances shall any obligation to you under our best execution approach amount to a condition of any transaction and no failure to comply with this approach shall entitle you to cancel, terminate or rescind any transaction.

#### **4. Execution venues**

As we operate on a principal to principal basis, any Order you conclude with us or any transaction entered into by you with us, will be with us. We do not direct orders as agent to other execution venues. However, we will have regard to the wider market in the relevant product to ensure that we achieve our regulatory obligation of 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 - to which you have given your consent.

#### **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, which 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 covered by 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 achieve our regulatory duty of best execution. Relevant assessments will be conducted on a regular basis. Additionally, we will review our best execution arrangements and approach annually or whenever 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. Should you require any further details about the manner in which we monitor and review our best execution approach please contact us.

Our approach to best execution is current from the date listed at the end 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**

Best execution reports will be made available at <https://commercialbanking.lloydsbank.com/important-information/best-execution/> .

#### **8. Your consent**

The BaFin 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.

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