



**LOMBARD ODIER**  
LOMBARD ODIER DARIER HENTSCH

Lombard Odier Group  
Markets in financial instruments directive  
(MiFID)  
Conflict of interest policy and Order Execution Policy



# 1. Conflicts of Interest Policy

## 1.1 Background

This document summarizes the conflict of interest policy of the Lombard Odier Group, which includes in particular the following entities:

- Lombard Odier (Europe) S.A. in Luxembourg and its branches in Belgium, the Netherlands, Spain, United Kingdom, Italy and France as well as its subsidiary: Lombard Odier Gestión (España) S.G.I.I.C., S.A.U., Spain
- Lombard Odier & Cie (Gibraltar) Limited, Gibraltar

This policy is issued pursuant to, and reflects compliance with, the rules on the identification, prevention and management of conflicts of interest adopted under MiFID. This policy forms an integral part of Lombard Odier's overarching commitment to act with integrity and fairness towards its clients at all times.

Lombard Odier's employees are required to comply with our In-House Regulatory Code and any specific internal procedures relating to conflicts of interest.

## 1.2 General Principle

Lombard Odier endeavours always to act professionally and independently with the client's best interests in mind, and takes all reasonable steps to identify and prevent, or otherwise manage conflicts of interest that may arise in the course of providing investment and/or ancillary services. Such conflicts of interest may arise between:

- Lombard Odier and other entities of the Lombard Odier Group
- Lombard Odier (either as a single entity or as a result of the interaction between different Lombard Odier Group entities) and a client of Lombard Odier;
- Lombard Odier staff, its representatives or any person directly or indirectly linked to Lombard Odier by control and a client of Lombard Odier;
- Two or more clients of Lombard Odier;
- Or any combination of the above.

(the "Conflicted Persons")

The below is a non-exhaustive list of scenarios where Lombard Odier may incur in conflicts of interest:

- Entities of the Lombard Odier Group may, from time to time, purchase or sell financial instruments for several clients and at the same time, Lombard Odier is authorised carry out proprietary trading
- Financial instruments may be purchased or sold for a client's account which are issued by companies maintaining business relations with an entity of the Lombard Odier Group, or in which officers of entities of the Lombard Odier Group may serve as directors;
- Entities of the Lombard Odier Group may, from time to time, purchase or sell for a client's account shares or units of investment funds which are managed Lombard Odier;

Where our internal measures designed to prevent and / or manage conflicts of interest are considered insufficient to mitigate, with reasonable confidence, risks of damage to a client's interests, Lombard Odier will disclose the general or specific nature of such conflicts of interest to the client or clients concerned.

The disclosure includes specific description of the conflicts of interest that arise in the provision of investment and/or ancillary service. Additionally, it will describe the general nature and sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks.

## 1.3 Application

### I. Identification of conflicts of interest:

Lombard Odier has implemented organizational measures to identify conflicts of interest that may occur, as described above. In addition, employees are responsible for identifying and reporting specific conflicts of interest to senior management.

To determine whether a conflict of interest may arise, Lombard Odier employees are required to consider the following circumstances where a Conflicted Person:

- is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- has an interest in the outcome of a service provided to a client or a transaction carried out on behalf of a client which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interests of another client or group of clients over the interests of the client;
- carries out the same business as a client;
- receives or will receive from a firm or individual other than the client an inducement in relation to a service provided to the client, in the form monetary or non-monetary benefits or services.

### II. Process for preventing and managing conflicts of interest:

Lombard Odier also maintains and operates effective organisational and administrative measures designed to ensure that all reasonable steps are taken to prevent conflicts of interest from adversely affecting its clients. These arrangements take into account any circumstances which may give rise to a conflict of interest arising from Lombard Odier's organisational structure and potential conflicting activities of the Lombard Odier Group.

The following are the main means by which Lombard Odier manages conflicts of interest:

- Segregation of duties: Key activities which, by their nature, can give rise to conflicts of interest are segregated within the organization. In addition, adequate internal procedures regulate the processes and restrict the flow of information among, and within, business units so that activities are carried out with an appropriate level of independence and conflicts of interest that may harm the interests of one or more clients are avoided.
- Proprietary trading: Lombard Odier has implemented measures to adequately mitigate potential conflicts of interest created by its own proprietary trading activities, if any. The execution of client orders may be delegated, where necessary, to other Group entities with equivalent measures.
- Staff matters: The following are the main measures taken by Lombard Odier in relation to its managers and employees.
  - Remuneration: The compensation package is based on a basic salary and a discretionary bonus which is related to performance against staff objectives and performance of Lombard Odier as a whole. It is not directly linked to specific transactions.
  - Personal securities dealing: Internal rules are established regarding staff dealing, in particular with regard to investment professionals and financial analysts. Lombard Odier's Compliance Unit performs periodic monitoring of personal deals to ensure that said internal rules are complied with at all times.
  - Gifts and personal advantages: Internal rules cover the receiving and giving of gifts and other personal advantages. They are designed to ensure that employees do not use their positions within Lombard Odier for significant personal gain for themselves, their families or any other persons. All gifts above a designated value must be approved by Compliance prior to acceptance.
  - Secondary activities and external appointments: Employees are required to work exclusively for Lombard Odier for the duration of their employment. Employees are not permitted to perform any paid or unpaid work for a third party. No employee may accept an appointment as a board member of a company or other commercial entity, nor any post entailing financial risk, unless an exemption has been duly approved by Lombard Odier.
  - Internal guidance and training: It is not possible to predict all the possible conflicts of interest that may arise in the course of business operations and staff must therefore be alert to the possibility that conflicts of interest can occur. Relevant employees and managers receive training to ensure awareness and sensitivity to this matter, and also to ensure that they can deal effectively with conflicts of interest should they arise.

### III. Governance:

Senior management is responsible for ensuring that this policy and the In-House Regulatory Code are issued and revised on a regular basis. It also ensures that the Compliance department monitors compliance with the In-House Regulatory Code and any internal instructions relating to conflicts of interest. Any breach is reported to senior management and Lombard Odier reserves the right to take any measures it deems necessary.

### IV. Documentation and disclosure:

Lombard Odier maintains records of the services and activities performed in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen.

**Important notice:** This policy does not form part of any contract between Lombard Odier and any of its clients or prospective clients and is simply a statement of policy issued in accordance with Lombard Odier's regulatory obligations.

## 2. Order Execution Policy

### 2.1 Introduction

This document sets the order execution policy ("Policy") and approach to providing Best Execution, established in accordance with the Markets in Financial Instruments Directive the revised Markets in Financial Instruments Directive 2014/65/EU ("MiFID II"), of Bank Lombard Odier & Co Ltd ("Lombard Odier").

MIFID II requires investment firms to take all sufficient steps to obtain the best possible result for their clients when executing orders on their behalf taking into account factors such as price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order ("Execution Factors"). This applies whether we are executing orders on behalf of clients or placing orders with, or passing orders to, others for execution.

The obligation to obtain the best possible result for clients is referred to as our obligation of Best Execution. This obligation should not be interpreted to mean that Lombard Odier must obtain the best possible results for its clients on every single occasion. Rather, we will need to verify on an on-going basis that our execution arrangements work well throughout the different stages of the order execution process.

Please refer to the attached Glossary for a precise definition of the terms used in this document.

The policy will be regularly updated and then published on Lombard Odier Bank's website: [www.lombardodier.com](http://www.lombardodier.com).

### 2.2 Scope

This Policy applies to transactions entered into by Lombard Odier with its clients on financial instruments as set out in the Appendix 1.

The following transactions are not covered by MiFID II and are therefore not addressed by the Policy. These include:

- Spot FX or
- Spot commodity or
- Cash deposits on call or term;

Accordingly, when receiving and executing client orders on behalf of our clients in relation to financial assets not covered by MiFID II, we will comply with standard market practices.

For some other financial instruments, this Policy applies in a limited way, such as:

- Structured transactions: Lombard Odier is unable to provide any comparisons with other similar transactions or instruments due to the specific structure of such transactions.
- Single Venue Transactions: Lombard Odier is unable to provide several prices as such transactions can be executed on one single trading venue only.

### 2.3 How will orders be executed for the clients?

Lombard Odier executes itself the said orders on a trading venue or retransmits them to brokers in relation to the various execution venues. However, some types of client transactions may be executed with the Bank acting as principal that is consequently the counterparty of the client.

## 2.4 How we provide Best Execution?

This present chapter gives a generic description on how we provide Best Execution to our clients. Given the differences in market structures or the structure of financial instruments, it may be difficult to identify and apply a uniform standard of and procedure for Best Execution that would be valid and effective for all classes of instrument.

Appendix 2 describes how our Best Execution obligations are applied in a manner that takes into account the different circumstances associated with the execution of orders related to particular types of financial instruments.

### 2.4.1 Execution Factors

When receiving and executing client orders on behalf of our clients in relation to financial instruments as set out in the Appendix 1, we will take all sufficient steps necessary to execute the order in a manner that is intended to achieve the best possible result for the client. For this, we will take into account the best balance among the following range of execution factors:

- Price;
- Costs;
- Speed;
- Likelihood of execution;
- Likelihood of settlement;
- Size of the order;
- The creditworthiness of the counterparties on the venue or the central counterparty;
- Nature of and any other consideration that may be relevant to the execution of a particular order.

Total consideration of price and cost will ordinarily merit a high relative importance in obtaining the best possible result. However, for some clients, orders, financial instruments, markets or market conditions, we may determine that other execution factors shall have the same importance or shall take precedence over price in obtaining the best possible execution result.

### 2.4.2 Execution Criteria

If we receive a specific instruction from the client, the order will be executed following its instruction according to paragraph 5.

In the absence of express instructions from the client, we will balance the above-mentioned factors based on our professional experience and judgment in light of the available market information and market conditions at the appropriate time, and taking into account the following criteria:

- The type of client concerned;
- The order characteristics;
- The financial instruments that the order relates to;
- The execution venues to which the order can be directed.

We will act with due skill, care and diligence when executing a client order and will endeavour to take sufficient care to ascertain the best price available for a transaction in the relevant market at that time, taking into consideration the nature and size of the order. Examples of the sufficient care we will take when assessing the timing of the execution of all or part of a current client order includes:

When a foreseeable improvement in the level of liquidity in the relevant financial instruments is likely to enhance the terms on which we may execute the order;

When executing an order as a series of partial executions over a period of time is likely to improve the terms on which the order as a whole is executed.

Prevailing market conditions may not permit the client order to be executed either immediately or in a single transaction. Large trades, particularly those involving financial instruments where trading volumes are limited, can move prices in the market against the interests of the client. In these circumstances, a series of partial executions over a period is likely to provide a better overall result than executing one trade.

Furthermore, we may carry out the client order in aggregation with other orders if:

- The characteristics of the order make it suitable for aggregation; and
- We consider that the aggregation of orders is unlikely to work to the overall disadvantage of any client whose order is to be aggregated;
- The allocation process is complied with, in particular, in case of partial execution.

We will ensure that, at all times, client orders are handled equitably and to client's best advantage. Client orders will be treated as preferential to Bank's orders and will be executed in a prompt and equitable manner, taking into account the nature of the order and its treatment in relation to the Bank's own trading interests. Other similar or comparable orders may be processed or executed sequentially in parity with the time of receipt and may be aggregated or pro-rated accordingly.

### 2.4.3 Execution Venues

Client orders may be executed on the following execution venues:

- Trading venues: regulated markets, Multilateral Trading Facilities (MTFs), Organised Trading Facilities ("OTFs")
- Systematic Internalisers (SIs)
- Broker, Market makers;
- Counterparties acting as liquidity providers.

In selecting the most appropriate venues for the purpose of executing client orders, several factors are considered, in particular:

- General prices available;
- The creditworthiness of the counterparties on the venue or the central counterparty;
- Depth of liquidity;
- Relative volatility in the market;
- Transparency in the market;
- Speed of execution;
- Costs of execution; and/or;
- Quality and cost of clearing and settlement facilities.

Lombard Odier identifies execution venues for different types of financial instruments which it believes with reasonable assurance can consistently offer Best Execution to its clients. However, we may decide that in certain circumstances that it would be beneficial to execute all or part of an order outside a trading venue. Whilst this may provide the advantage of an improved execution price and faster execution, additional risks may be incurred which are detailed below:

- Transactions will not be subject to the rules of Trading Venues, which are designed to provide for a fair and orderly treatment of orders;
- Transactions will not benefit from any additional but unpublished liquidity, such as hidden limit orders that may be available on Trading Venues;
- A settlement risk may be incurred as transactions will be subject to counterparty risk and will not be covered by the relevant clearing and settlement rules of the Trading Venue and relevant Central Counterparty Clearing House.

### 2.4.4 Brokers / Market makers / Counterparties acting as liquidity providers

When we receive client orders for which we have no direct access to the selected venue, we transmit or place them for execution with brokers, Market makers or Counterparties acting as liquidity providers.

In this context, we take particular care when selecting brokers used to execute client's orders and look at a number of factors, including:

- The access to markets and distribution networks of the broker;
- The size, creditworthiness and reputation of the broker (company rating);

- The quality of Middle Office/Back Office support of the broker;
- The policy adopted by the broker to demonstrate that the trades are executed in accordance with the Best Execution obligation and that Best Execution procedures are monitored.

For brokers, market makers or counterparties acting as liquidity providers not subject to MiFID 2, we will take all sufficient steps to select the executing brokers, market makers or counterparties acting as liquidity providers that provide for the best service in the relevant financial instruments, markets and geographical areas concerned.

Under specific circumstances (such as a specific instruction from the client, particular market conditions, provisory failure of a broker, market makers or counterparties acting as liquidity providers), we may be forced to transmit the client order to an entity that has not been selected by our broker/country reviews in order to act in the best interest of our clients.

#### 2.4.5 General factors affecting our Policy

In providing Best Execution we are subject to the provisions set out in this Policy to exercise the same standards and operate the same processes across all the different liquidity pools and financial instruments on which the client orders are executed. However, the diversity of the markets and instruments and the type of orders that the client may place with us mean that we will have to take different factors into account when we assess the nature of our Policy in the context of different instruments and different liquidity pools located in different countries.

The following non-exhaustive list provides examples of varying factors that may influence the Best Execution of your orders:

- Liquidity pool infrastructure: electronic trading on a centralized market with a large number of participants is generally more efficient than trading on an "over-the-counter" (OTC) market where transactions are negotiated bilaterally;
- Price setting mechanism: on an "order-driven market" the price of a financial instrument is determined by the incoming buy and sell orders, while on a "quote-driven market", the price is determined by one or several market makers;
- "Price volatility": a price may fluctuate considerably on a particular market within a limited time period. In such markets, the speed or timing of order execution may take priority;
- "Liquidity": some financial instruments do not trade as frequently as others, and/or volumes are limited. In markets subject to such low liquidity, best execution may be limited to the execution of the order itself. Markets with high liquidity can absorb both high frequency and large orders within a short time period;
- Country of the liquidity pool: markets in emerging countries do not afford the same infrastructure as markets in non-emerging countries. As a consequence, Lombard Odier may need to reconsider the factors described above for specific client orders in order to adapt to the specificities of trading on emerging markets;
- Market information: the availability of accurate information and appropriate technology may also affect the choices as to the most favourable liquidity pool for execution.

## 2.5 Specific client instructions

When the client gives us a specific instruction as order execution or transmission, the relevant part of the order will be executed in accordance with that instruction, the remaining part in accordance with this policy. The client should be aware that in providing a specific instruction, he may prevent us from taking the steps which we have designed and implemented to obtain the best possible result for the execution or transmission of the order in respect of the factors covered by those instructions.

Any written or oral contractual arrangement between the client and us will take precedence over this Policy.

## 2.6 Restrictions

Where Lombard Odier is subject to internal trading restrictions it may not be possible to accept the order from the client and he will be notified of this fact at the time of order receipt.



## 2.7 Monitoring and review

We will assess, on a regular basis, of particular transactions (in order to determine whether we have complied with our execution policy and/or arrangements, and whether the resulting transaction has delivered the best possible result for our clients). In this respect, we will take into account the execution factors that the Bank considers for the execution of client orders.

Moreover, we will conduct substantive reviews of our arrangements and policies in order to ensure delivering Best Execution on a consistent basis. Our reviews will take account of the results of monitoring and any changes in the market.

The reviews are performed at least annually or whenever a material change occurs. A “material change” can include, for example, the merger of two execution venues, a change in the identity of a DMA provider, a change in legislation, a change in Lombard Odier business activities or services provided by Lombard Odier, an organizational change within Lombard Odier or new internal rules, procedures or policies within Lombard Odier.

Lombard Odier dedicates a particular importance to its relationships with its financial intermediaries. Our traders are asked on an annual basis to vote for each of the counterparties they trade with. The vote is a means to evaluate each counterparties based on defined criteria, among other the execution price, the trading platform functionalities and reliance, the access to venues and the liquidity. The invoicing and settlement departments are also part of this review.

In addition of the counterparties selection, the Group Risk Management department analyses each banking counterparty at least once per year, based on the annual financial statements. Moreover, a strong internal control framework has been implemented in order to monitor limits set up with counterparties. Both market and credit risks, as principal or as matched principal when executing trades for the clients, are subject to limits which are monitored on a daily basis. These limits are broken down by product or by broker depending respectively on their complexity and on the assessment of their credit worthiness. Controls are expressed so that the long or short position per underlying is controlled and capped whilst each activity is also subject to overall market and credit risk limits. Standard risk calculation methodologies are in place at group level for each product and depending on the nature of the risk undertaken by Lombard Odier so that the effective exposure is properly captured and monitored.

Monitoring and review processes per type of financial instruments are described in Appendix 2.

The client will be notified of any material changes to our Policy via our website [www.lombardodier.com](http://www.lombardodier.com).

# Glossary to the Order Policy of Bank Lombard Odier & Co Ltd

<b>Broker:</b>	An individual or firm who executes client orders on behalf of a client or receives and transmits orders in relation to one of more financial instruments. A broker may be itself the counterparty to a trade (principal).
<b>Broker review process:</b>	Process in place to evaluate the quality of the brokers according to different criteria which may be based on a formal process and/or our daily professional experience.
<b>Clearing &amp; settlement:</b>	A system used to settle mutual indebtedness between a number of organizations (banks, brokers, etc.).
<b>Client:</b>	Any natural or legal person to whom an investment firm provides investment and/or ancillary services.
<b>Costs:</b>	Transaction fees charged to the client (commissions, settlement fees, etc.).
<b>"DEA" Direct Electronic Access:</b>	Lombard Odier directly trades in a liquidity pool through broker facilities that grant a direct market access to that liquidity pool.
<b>Eligible counterparty:</b>	A client according to Directive 2014/65/EU.
<b>Execution venue:</b>	Trading Venues, Systematic Internalisers, market maker and other liquidity providers.
<b>Forward transactions:</b>	Purchase or sale of a specific quantity of a financial instrument at the current forward price, with delivery and settlement at a specified future date.
<b>Financial instrument:</b>	Those instruments specified in Section C of Appendix I of Directive 2014/65.
<b>Likelihood of execution:</b>	The quality of an order execution on a certain execution venue.
<b>Likelihood of settlement:</b>	The quality of order settlement.
<b>Liquidity:</b>	Number and turnover of trades in a specific financial instrument over a certain period (day, week, etc.).
<b>Liquidity pool:</b>	Any place where trades can be executed, including execution venues.
<b>Membership:</b>	Trading venue of which Lombard Odier is a member.
<b>MiFID 2:</b>	The Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments.
<b>"MTF" Multilateral Trading Facility:</b>	A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments in the system in accordance with non-discretionary rules.
<b>Order-driven market:</b>	Market in which the price of a financial instrument is determined by the incoming buy and sell orders.
<b>"OTC" Over-the-counter:</b>	A bilateral arrangement between buyer and seller, based on the best quote received. In some circumstances, where liquidity in the instruments deteriorates, quotes may become unavailable. When this occurs, the importance the client places on executing the order becomes paramount and "best execution" can equate to the order actually being executed.
<b>Price:</b>	Price of a financial instrument (excluding fees).
<b>Private client:</b>	A client who is not a professional client, classified under MiFID 2 as a "Retail client".
<b>Professional client:</b>	A client as defined in Annex II of the Directive 2014/65/EU.
<b>Quote driven market:</b>	Market in which the price is determined by one or several market makers.
<b>Regulated market:</b>	A multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in the system in accordance with its nondiscretionary rules, in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorized and functions regularly.
<b>Size:</b>	Number of financial instruments per order.
<b>Speed:</b>	Rapidity of order execution.
<b>Systematic Internaliser "SI":</b>	are investment firms which, on an organised, frequent, systematic and substantial basis, deal on own account by executing client orders outside a regulated market, MTF or OTF without operating a multilateral system.

# Appendix 1: Financial instruments in scope

1. Transferable securities;
2. Money-market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences;
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;
11. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

# Appendix 2

## Equities, ETFs, Warrants

### General

The Bank executes equities and equity-like products orders through:

- Direct exchange membership and/or,
  - by use of DEA and/or brokers' proprietary trading algorithms, where we trade an order in line with specific parameters, (e.g., a set percentage of traded volume etc.),
  - brokers who have the necessary expertise and the required understanding of our trading objectives where we instruct them to work an order on an agency basis. The broker then owes a duty of care to transact orders on behalf of our clients and shares the best execution obligation jointly with the Lombard Odier traders.

### Execution

We will consider all execution factors as described in this Policy when determining the venue. Unless stated otherwise, across all equity products the ranking of the execution factors is typically as follows:

1. Price;
2. Likelihood of execution;

The remaining execution factors – cost, speed, order size, nature of the order, internal credit limit and other consideration relevant to the efficient execution of the client order – are generally given equal ranking.

Where the execution methods are systematic in nature, we select from the counterparties that provide competitive pricing. These venues may be placed in competition for the execution, or may execute on pre-arranged and uniform commission rates. For other types of orders the first choice for execution venue are sources of liquidity, i.e. peer-to-peer crossing networks, which match buyers and sellers. Executing against a buyer, or seller, eliminates the dealing spread cost and reduces market impact.

Taking into account the size of the order, the liquidity available for the instrument, the moment we receive the order and the available venues, we may execute the client order over a period of time or request an affiliate or a broker to execute over a period of time (of up to several days when necessary) in order to achieve the best result. Larger orders in small and infrequent trading instruments may wait for natural liquidity over an extended period. During such a period, we may consult the client to assess the balance of the execution factors. If liquidity is not sufficient, we try to identify counterparties that have advertised an interest or recent activity in the instrument.

### Restriction

Where Lombard Odier is subject to internal or market restrictions it may not be possible to accept the order from the client and he will be notified of this fact at the time of order receipt.

### Monitoring and controls

Price of execution and the period of time to execute a trade for trades on equities (including those executed with third party brokers) is monitored and compared with several benchmarks by means of a Transaction Cost Analysis ("TCA"), all exceptions are reviewed by the dedicated internal control group.

### Review

Regular reviews are performed on the "Smart Order Router System" (SORS), on the algorithms, the execution venues and the brokers.

A regular review is performed and include information about the trading processes and any identified conflict of interest.

Finally, on the basis of the results of these monitoring and review, the execution strategy is amended.

# FX Forwards and Swaps, Other derivatives relating to FX and precious metals

## General

Lombard Odier executes all client orders on various instruments including: FX options, precious metal options, FX forwards, FX swaps, as well as Non-deliverable FX forward (NDF) acting as principal to the trade.

## Execution

We will consider all execution factors as described in this Policy. Unless stated otherwise, across all products the ranking of the Execution Factors is typically as follows:

1. Price;
2. The creditworthiness and trading limits with the counterparties;

The remaining execution factors – costs, nature of the order and other considerations relevant to the efficient execution of your order - are generally given equal ranking.

However, we note that for certain transactions, these can involve highly prescriptive specific instructions from you as to how you require the trades to be executed and this will limit the duty of Best Execution to those matters which are not covered by specific instructions.

When executing client orders on options, Lombard Odier acts as principal and is therefore the sole execution venue. Price provided to clients is an average of the three most favourable price received by Lombard Odier from its liquidity providers charged with a mark-up. In this respect, a spread limit is agreed with the clients. The Bank endeavours to obtain competing quotes from its approved counterparties duly approved by the Lombard Odier Finance, Credit and Risk Committee.

For forwards, NDFs and swaps where market reference pricing data is available, Lombard Odier monitors the intermediaries' trading capabilities to identify those that consistently provide the best quotes, including FX rates, we analyse the competing quotes from the available counterparties to establish a price. Once the price is established, Client orders will be executed at this level, taking into account other best execution factors such as liquidity and counterparty restrictions.

## Restriction

Where Lombard Odier is subject to internal or market restrictions it may not be possible to accept the order from the client and he will be notified of this fact at the time of order receipt.

## Monitoring and controls

Price of execution is monitored and compared with reference market price by means of a Transaction Cost Analysis ("TCA"). We review a weekly exception report or sample to determine whether the best quote is being consistently obtained and properly documented.

Other controls are in place in order to check that the price of execution was the most favourable at the moment of execution. In this respect, a record of all requests sent to counterparties and the market conditions at the time of transaction is saved in our system.

The dedicated internal control group ensures that the checks and analysis are performed on due time.

## Review

A regular review basis is performed and include information about the trading processes and any identified conflict of interest.

Finally, on the basis of the results of these monitoring and review, the execution strategy is reviewed.

# Money Market Instruments & Repo

## Execution

We will execute all orders with approved counterparties or brokers. Lombard Odier maintains firm-wide counterparty exposure limits. Hence, our Risk Management performs the analysis of operational risk, credit risk, return and buy-back in order to secure the best possible result for the Client.

We will consider all execution factors as described in the Policy. Unless stated otherwise, the ranking of the execution factors is typically as follows:

1. Likelihood of execution;
2. Price;
3. Creditworthiness and trading limit ;
4. Speed of execution.

The relative importance of each may differ depending on each individual order. The priority of any one of these factors over the others will depend upon any specific instructions from the client. It should be noted that best execution must be performed within the constraints of the limits determined for each counterparty. This can result in directing trades away from certain counterparties if our exposure to that counterparty is too high, even if the price or some other terms offered by that counterparty were the best available.

The Bank requests competing quotes from its counterparties duly selected and executes on the most favourable price.

## Restriction

Where Lombard Odier is subject to internal or market restrictions it may not be possible to accept the order from the client and he will be notified of this fact at the time of order receipt.

## Monitoring and controls

Controls are in place in order to check that the price of execution was the most favourable at the moment of the execution. In this respect, a record of all requests sent to counterparties and the market conditions at the time of transaction is saved in our system. A Transaction Cost Analysis ("TCA") tool is also used. All exceptions are reviewed by the dedicated internal control group.

The dedicated internal control group ensures that the checks and analysis are performed on due time.

## Review

A regular review basis is performed and include information about the trading processes and any identified conflict of interest.

Finally, on the basis of the results of these monitoring and review, the execution strategy is reviewed.

# Fixed Income, IRS, CDS

## Execution

We will consider all execution factors as described in the Policy. Unless stated otherwise, the ranking of the execution factors is typically as follows:

1. Price;
2. Speed;
3. Likelihood of execution and settlement.

Price will generally be given the highest importance when executing an order.

The Bank endeavours to obtain competing quotes from its counterparties selected during the broker review and duly approved by the Lombard Odier Finance, Credit and Risk Committee and execute on the most favourable price. The trader will request at least three quotes in a platform from various market makers and execute at the best price.

There may be scenarios where the priority of execution factors will change as it is not possible to obtain three quotes, or the result of getting three quotes would have a negative impact on the market and weaken best execution. For example:

- Large orders, which are likely to impact the market due to their size, will generally not be put in competition. The selection of the appropriate counterparty is based on the information received by brokers and historic execution capabilities. The trader can decide to leave with a broker the execution of the order, ask a quote to only one market maker or execute the order during a longer period by splitting the order. The execution strategy for executing a large order is usually discussed with the client.
- Due to a lack of liquidity, for less liquid instruments, there may be only one liquidity provider and therefore only one available price to deal on (e.g. bigger sizes, non-investment grade bonds, IRS, CDS). In this case, the trader will analyse the history of transactions in the specific instrument or a similar one and place an order to a single broker; price and likelihood of execution will be predominant in this case. The execution strategy for executing a large order is usually discussed with the client.

## Restriction

Where Lombard Odier is subject to internal or market restrictions it may not be possible to accept the order from the client and he will be notified of this fact at the time of order receipt.

## Monitoring and controls

Controls are in place in order to check that the price of execution was the most favourable at the moment of the execution and, for Fixed Income, the time to complete the execution. In this respect, a record of all requests sent to counterparties and the market conditions at the time of transaction is saved in our system. A Transaction Cost Analysis ("TCA") tool is also used. All exceptions are reviewed by the dedicated internal control group.

## Review

A regular review basis is performed and include information about the trading processes and any identified conflict of interest.

Finally, on the basis of the results of these monitoring and review, the execution strategy is reviewed.

# Exchanged Traded Derivatives and non-listed Equity Derivatives

## General

The Bank executes Exchange Traded Derivatives products orders on a centrally regulated venue which concentrates liquidity either through direct exchange membership and/or use DEA to markets or brokers who have the necessary expertise and the required understanding of our trading objectives.

In executing orders directly on Trading Venues, Lombard Odier prioritizes factors as follows:

- Price;
- Size;
- Speed;
- Likelihood of execution.

In determining the suitable brokers for execution, in case of orders which require specific care, the Bank considers the following factors:

- Creditworthiness and trading limit;
- Quality of execution, including on highly illiquid products
- Timeliness of settlement;
- Ability to source liquidity and find counterparties

Lombard Odier executes OTC client orders in products not admitted to trading, or not traded on a trading venue (non-listed derivatives). When executing client orders on non-listed derivatives, Lombard Odier acts as principal and is therefore the sole execution venue. Client orders will be executed with those counterparties which offer the best price (RFQ) taking into account other best execution factors such as liquidity, counterparty restrictions and other implicit costs of trading. Price provided to clients is the most favourable price received by Lombard Odier from its liquidity providers charged with a mark-up. In this respect, a spread limit is agreed with the clients. The Bank endeavours to obtain competing quotes from its approved counterparties duly approved by the Lombard Odier Finance, Credit and Risk Committee.

We will consider all execution factors as described in the Policy. The dominating factor when Lombard Odier executes client orders related to derivatives listed on one execution venue is the speed of execution.

## Restriction

Where Lombard Odier is subject to internal or market restrictions it may not be possible to accept the order from the client and he will be notified of this fact at the time of order receipt.

## Monitoring and controls

On listed derivatives, the time to execute the transaction is monitored.

For OTC equity or index options (example: equity or index customized options), the traders use a "request for quotes" system, which records all requests and results. Controls are in place in order to check that the price of execution was the most favourable at the moment of the execution. In this respect, a record of all requests sent to counterparties and the market conditions at the time of transaction is kept in the internal systems of the bank.

The dedicated internal control group ensures that the checks and analysis are performed on due time.

## Review

A regular review basis is performed and include information about the trading processes and any identified conflict of interest.

Finally, on the basis of the results of these monitoring and review, the execution strategy is reviewed.



# Structured Products

## Execution

Structured products are packages using a combination of various financial instruments. Lombard Odier distributes structured products that it selects or creates on behalf of its clients. For such orders, we may use a range of counterparty investment banks, brokers or other third parties that we place in competition in order to deliver the best possible result in terms of total consideration. In order to find liquidity when redeeming a position in whole or part, the likelihood of execution may be an important factor in selecting the counterparty.

On the secondary market, when Lombard Odier receives an order related to a:

- Non-listed structured product (internal product) on behalf of a client, the trader checks and controls the price through our internal application;
- Non-listed structured product (external product) on behalf of a client, the Bank contacts directly the issuer and executes the order with the latter;
- Listed structured product on behalf of a client, the Bank executes it through a trading platform which grants access to RM or MTFs (SIX Swiss Exchange or EUWAX).

## Restriction

Where Lombard Odier is subject to internal or market restrictions it may not be possible to accept the order from the client and he will be notified of this fact at the time of order receipt.

## Monitoring and controls

For non-listed structured product "external" we ensure control only on a best effort basis – whether the price provided by the issuer is coherent.

For non-listed structured product "internal", we ensure on a regular basis that the check and control is duly performed by the trader.

For listed structured product traded on RM or MTFs the price will be checked and controlled using our Transaction Cost Analysis ("TCA") tool and a report will be issued for listed structured product, all exceptions are reviewed by the dedicated internal control group.

The dedicated internal control group ensures that the checks and analysis are performed on due time.

## Review

A regular review basis is performed and include information about the trading processes and any identified conflict of interest.

Finally, on the basis of the results of these monitoring and review, the execution strategy is reviewed.

# Securities lending

## Execution

In order to achieve the best possible result on a consistent basis, Lombard Odier takes into account the following factors:

- Value of transaction;
- Term / open transaction;
- Relative stability of the portfolio/asset;
- Transaction and custody charges;
- Counterparty credit quality and netting status;
- Collateral criteria
- Jurisdiction of client and/or borrower;
- Client agreements (exclusions) or Fund prospectus and regulation;
- Parameters which may include limits on tax, markets, securities, stock depot location and duration.

The trader will check, when possible, the price through Markit info data or will compare rates on the same transaction types to demonstrate they are in line with the industry average, or above. However in some cases, the market data gathering might not be available.

## Restriction

Where Lombard Odier is subject to internal or market restrictions it may not be possible to accept the order from the client and he will be notified of this fact at the time of order receipt.

## Monitoring and controls

Centralised market prices are not available and it may be difficult to compare lending or repo fees/rebates obtained with prevailing market levels at that time.

The dedicated internal control group ensures that our trading processes are sufficient to obtain the best possible result.

## Review

Reviews are performed by the desk and include:

- Information about any allocation process including any exceptions;
- Any identified conflicts of interest;
- Peer to peer performance comparisons (either internally or externally);
- Counterparties review.

A regular review basis is performed and include information about the trading processes and any identified conflict of interest.

Finally, on the basis of the results of these monitoring and review, the execution strategy is reviewed.

# LO issued Certificates and/or Structured Products

## General

The bank acts as issuer for certificates. In this activity, Lombard Odier is also Guarantor, Administrator and Calculation Agent. Lombard Odier also acts as Market Maker during the life of the product.

## Execution

The initial NAV\* being fixed as the Initial traded price, including eventual trading fees and initial issue fee as the case may be and following the description in the term sheet. Methodology for computing NAV and secondary market are defined in each product term sheet, Issue Simplified Prospectus. However primary market is outside the scope of MIFID II.

All financials instruments to be traded by Lombard Odier in order to cover its duties will be executed via the relevant Lombard Odier executing desks following the Best Execution processes as defined for each relevant desk.

## Restriction

Where Lombard Odier is subject to internal or market restrictions it may not be possible to accept the order from the client and he will be notified of this fact at the time of order receipt.

## Monitoring and controls

As only one price is available for secondary trading and given that the Bank is the single issuer and market maker for these certificates, the scope of the Best Execution is limited to transactions done on the underlying components. The price is computed by the Bank following rules and methodologies which are detailed in every certificate simplified prospectus (Term sheet). Conditions, time of execution, and spread may vary from one product to the other. Conditions and rules for computing NAV and secondary market prices are defined in the certificate Issuing Documents (Term Sheet).

The Group Risk Management monitor the NAV between our different internal system.

The dedicated internal control group check on a regular basis that this above monitoring is performed.

## Review

A review is performed and includes information about the trading processes and any identified conflict of interest.

Finally, on the basis of the results of these monitoring and review, the execution strategy is reviewed.

## Unlisted funds

### Execution

The bank executes orders regarding funds by transmitting the order to:

- The relevant fund's management company (or equivalent) or a recipient designated by the management company (e.g. transfer agent) for execution according to the fund rules and regulations (or equivalent); or
- An intermediary, who will then execute the orders accordingly. Intermediaries are required to access certain markets and also allow to avoid having to connect to a multitude of individual agents.

We will consider all execution factors as described in this Policy when determining the venue. The unlisted funds product factor ranking is typically as follows:

- Speed.

When placing orders to buy or sell fund units, speed is the only applicable factor as orders for the relevant fund must be placed before cut-off time for subscription or redemption. Fund dealing is not a standardized universe, the fund's Net Asset Value (NAV) defines the subscription or redemption price based on fund rules. Since the price and price-setting frequency is subject to fund rules during any subscription or redemption period, speed is not relevant during any subscription or redemption period in which an order is placed.

### Restriction

Where Lombard Odier is subject to internal or market restrictions it may not be possible to accept the order from the client and he will be notified of this fact at the time of order receipt.

### Monitoring and controls

Monitoring on STP daily funds qualified as "simple fund", ensure that transmission of order of transaction are received thirty minutes prior to the cut-off time stored into our internal application has been done prior the set cut-off.

We exclude the following funds:

- "Closed end country funds" and "illiquid funds because they are under liquidation";
- Orders for which STP process is broken (orders above a certain amount or equivalent, switches, and orders with references).

The dedicated internal control group ensures that our trading processes are sufficient to obtain the best possible result.

### Review

A regular review basis is performed and include information about the trading processes and any identified conflict of interest. Finally, on the basis of the results of these monitoring and review, the execution strategy is reviewed.





**LOMBARD ODIER**  
LOMBARD ODIER DARIER HENTSCH

[www.lombardodier.com](http://www.lombardodier.com)