COMMERZBANK

CEO Directive
145/2020/1.5/VIG/CM CSI

On the Execution Policy of Commerzbank Zrt.

Prepared by: CM CSI

Valid from: 26 March 2021 | Version 1.5 |

Contents

Please note that this policy is just the translated version of the local regulation. In case of any differences the Hungarian one shall prevail.

1 Purpose of this Directive

Pursuant to the provisions of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU; to Commission Delegated Regulation (EU) 2017/565 related to the implementation thereof; and to Act CXXXVIII of 2007 on investment firms and commodity dealers and on the regulations governing their activities (hereinafter "Investment Regulations Act"), Commerzbank Zrt. (hereinafter "Bank") shall hereby create this policy known as Execution Policy (hereinafter "Policy") laying down the rules to be followed in order to consistently ensure the best execution of orders for clients.

This Policy is designed to work out a body of rules ensuring that client orders are executed with the most favourable outcome for the client (best execution), taking into consideration

- the price (net price) of the financial instrument subject to the order;
- the characteristics of the financial instrument subject to the order;
- the costs of the order;
- the time required to execute the order;
- the probability of executability and performance of the order;
- the size of the order;
- the nature of the order (including whether or not it qualifies as a securities financing transaction) or any other consideration relevant to the execution of the order.

The scope of this policy shall cover the financial instruments specified in Appendix 1.

Consent of the clients to this Policy of the Bank shall be contained in the "Framework Contract for Over-the-Counter Derivative and Prompt Transactions"; "Contract for Keeping Securities, Securities Custody and Client Account". By signing the contracts, the client also accepts the terms and conditions of this Policy.

2 Functional Scope of the Directive

The material scope of the directive covers the regulation of OTC transactions.

3 Personal Scope of the Directive

Target group/areas	Relevant instructions for the target group / department
CM CSI	Compliance with this Directive
TBO	Compliance with this Directive

The abbreviations used in this Directive for the identification of departments are consistent with those in the Bank's OOR in effect at all times.

4 Objectives and Benefits

Execution of OTC transactions in compliance with law, appropriate information of clients.

5 Operative Part

5.1 Aspects of Best Execution

While choosing the best execution for retail clients, the most influential factors are primarily price and costs. In case of professional clients and eligible counterparties these are primarily time and probability of execution. If the Bank executes a retail client's order the best possible result is defined based on the total amount, which includes the price of the financial instrument and the costs related to the execution as well, i.e. the costs related to the execution of the client order charged to the client. For client orders subject to this Policy, deals are concluded exclusively on the Bank's behalf and against its own account. No commission sales or deals are made in products traded on the stock exchange.

The Bank shall execute client orders on OTC markets for the following reasons for each financial instruments:

Type of financial instrument	Rationale
Structured investment products (dual currency deposits)	A wider product range is available in OTC trading.
interest rate derivative transactions (interest rate swap, FRA)	Client demands for capital depreciation typical of interest rate derivatives cannot be fulfilled via the stock exchange.
FX derivative transactions (spot conversion, FX futures transactions, FX options, FX swap)	No price quote available for these customized products on the stock exchange.

As of 3 January 2018, the Bank sells structured financial instruments (dual currency structured investment) only to clients classified as professional clients under the Investment Regulations Act.

Having regard to the fact that the Bank does not execute client orders at venues other than the execution venues as defined in Article 64(1) of Commission Delegated Regulation (EU) 2017/565, this Policy does not contain information on execution venues.

Accordingly,
- the Bank executes client orders on its own account at all times, which constitutes an execution venue for the purposes of this Policy.
- Sections 62(4) and (5) and 63(5) of the Investment Regulations Act and Article 66(4) and (5) of Commission Delegated Regulation (EU) 2017/565 shall not apply in respect of the Bank.
- given the nature of its operation (the Bank does not forward client orders), the Bank does not accept any fees, discounts or pecuniary advantages in compensation for channeling client orders to a particular execution venue.
- the Bank advises the client of execution itself rather than the execution venue.
- in relation to executing transactions, the Bank discloses – in respect of every class of financial instruments – the fact that it has executed all transactions on its own account.

Appendix 1 to this Policy contains the execution venue.

When executing orders or taking decision to deal in OTC products, the Bank shall – in conjunction with Commerzbank AG – checks the fairness of the price proposed to the client, by gathering information used in the estimation of the price of such product and, where possible, by comparing with similar or comparable products.

The Bank shall fulfil its annual publication obligation (on the quality of execution) in respect of each class of financial instruments pursuant to this Clause with the use of sample tables defined in Appendix 2 to this Policy. The Bank publishes the completed tables in a machine-readable and publicly downloadable electronic format and makes available the same via Deutsche Börse as APA (Approved Publication Arrangement) for at least 2 years. The Bank shall fulfil its publication obligation for the current year by no later than 30 April of the year following the current year. The Bank shall fulfil its first publication obligation pursuant to this point for 2017 by no later than 30 April 2018.

5.2 Exceptions to Best Execution

The principle of best execution shall not apply to the following cases:
1) financial instruments with specific characteristics;
2) financial instruments created in favour of the client in accordance with the client's special requirements;
3) if the client gives instructions to the Bank;
4) in the event of the client's positions' liquidation.

In cases beyond the Bank's control (e.g. failure of the trading system, communication system breakdown or overload, etc.) it may happen that the Bank cannot execute client orders according to the principle of best execution. As a consequence, client orders may be fulfilled in the given case more expensively or at a later date compared to execution in accordance with the principle of best execution.

Best execution is a process and not an outcome. Accordingly, when the Bank executes an order for the client, it executes in line with its own Execution Policy but cannot guarantee to the client that it

can always offer the most favourable price or, in particular cases, the existing factors may lead to different outcomes.

5.3 Aggregation of Orders

The Bank fulfils, or attempts to fulfil client orders in the order they are placed.

Except the cases below, the Bank does not aggregate orders placed by individual clients with the orders of other clients or with the Bank's own account transactions.

In FX derivative transactions the Bank is allowed – in cooperation with Commerzbank AG – to aggregate the orders (or a part of them) submitted by individual clients with the orders of other clients and the "back to back" transactions (or a part of them) under Clause 5.4. These transactions are executed in the "eFX System" operated by Commerzbank AG.

The orders are aggregated and allocated based on the algorithm set in the "eFX System" only if it overall probably has no disadvantage to clients whose orders are aggregated. At the same time, aggregation may result in disadvantage to certain orders.

5.4 Order Types

By "Own account transactions" as defined in this Policy the Bank means own account transactions which are used for hedging client orders ("back to back" transactions). Despite quoting by the Bank as defined in this point, the Bank does not qualify as a market maker as defined in the Investment Regulations Act, since quoting by the Bank is not continuous, and the Bank does not undertake any obligation to buy and sell financial instruments.

5.4.1 FX Market Transactions

In the case of own account transactions, the price quoted by the Bank at a particular moment is not necessarily the same as the price quoted in the interbank market or by Bloomberg, Reuters or other electronic platforms at a particular moment due to differing liquidity and limit conditions or the Bank's client pricing strategy.

1. **Execution on live market rates quoted by the Bank:** based on parameters specified by the client (currency pair, buy/sell, value date) the Bank quotes the client its FX rate, which the client either accepts and instructs the Bank to execution the deal at this price or it withdraws from dealing.

2. **Firm order:** the client places an order with a specified limit rate, notional and direction to the Bank (the client specifies all of the transaction parameters – currency pair, buy/sell, value date, take-profit/stop-loss, rate), and the Bank will execute it when the exchange rate quoted by the Bank reaches the limit specified by the client. Firm orders can be placed for a maximum of 30 calendar days. The Bank will even execute such orders overnight, by forwarding orders valid at the end of the respective business day to its interbank partners via its own account. For stop-loss orders (i.e. when a client intends to sell at a limit price below the actual market rate effective when the order is placed or wishes to buy when the specified limit rate exceeding the market rate), the Bank cannot guarantee the order execution at the pre-specified limit rate in the case of sudden and significant exchange rate movements.

3. **Call order:** clients can place intraday call orders until 5 PM on the call date. No call orders can be given for overnight tenor or beyond. When the FX rate specified by the client is reached the Bank's representative will call the client, so the client has the right to execute a deal on the actual market rate at the time of the call. The Fullfillment of call orders do not generate automatic deal execution when the target exchange rate is reached. The Bank cannot make a commitment - with particular reference to any technical malfunctioning of telecommunications devices, rapid market changes or impossibility of reaching the client - in respect of being able to notify the client immediately every time the desired exchange rate is reached.

5.5 Review

The Bank regularly reviews and at least annually assesses this Policy, in particular where material changes influencing the Bank's ability to carry out the best execution. Thus, in particular where changes occur in the existing execution channels or there are other trade channels also available for the clients. In the review the Bank takes into consideration the following with special focus:
- the quality of the execution of the client orders, for example their average cost and speed;
- the method of the execution of the client orders (e.g. limit price or call order);
- monitoring the international financial markets to check whether there is/are execution venue(s), on which better results can be achieved for the client order execution than on the OTC market, during this process the Bank takes into account the reports published by the execution venues on their website.
- whether better results could be delivered if the Bank forwards the order to another investment firm rather than executing it in the OTC market.

5.6 Information

The client may give an instruction to execute the order in a different way other than provided for in this Policy. However, the client's instructions may prevent the Bank from performing best execution of orders regarding the elements of the orders related to the instructions. By giving the instructions the client takes the responsibility in respect of execution.

Prior to signing the related framework contracts (cf. Point 1.), the Bank shall advise its clients of the provisions of the Policy, including, in particular, factors to be considered when executing orders; execution venues to be used by the Bank; how considerations to be taken into account during execution constitute a sufficient part of those actions through which the best possible result can be ensured for the client; consequences – in particular, partner risk – entailed by execution by the Bank of orders in the OTC market; and a clear and unambiguous warning that instructions from the client in respect of particular order elements affected by the instructions may prevent the Bank from performing best execution of orders.

The Bank provides the aforesaid information together with information on any changes in the Policy through the Bank's own website, at www.commerzbank.hu, within "General Terms of Business", under the "Treasury/MIFID" tab titled "On the execution policy of Commerzbank Zrt.".

The Bank shall, at the request of the client, provide additional information in writing on the execution process in which the order is executed on the OTC market.

The Bank exclusively executes client orders on the OTC market; in view thereof, the obligation laid down in Section 62(8) of the Investment Regulations Act shall not be construed to apply to the Bank.

If the client makes a reasonable and proportionate request for further information on the points included in the Policy and related to how the Bank reviews the Policy, the Bank provides an exact answer to the client within a reasonable time.

At its clients' request, the Bank can confirm that it has executed their orders in accordance with the provisions of this Policy.

If the Bank executes orders for retail clients, it shall – prior to the transaction – hand over to the client a summary of the Policy with a focus on total costs to be incurred by the client. The Bank does not accept any incentives, in particular any remuneration, commissions or non-monetary benefits from third parties – excluding the third party acting in the interest of the client – during the execution of the client orders.

The CM CSI team provides information and issues certification.

6 Responsibilities

The preparing unit is responsible for the contents and to the update of this Directive.

Prepared by: CM CSI (Phone: +36 1 374 8184)

7 Approval and Implementation

This amended and consolidated Policy was approved by Krisztina Fülöpné Bogdán Deputy CEO based on the written authorisation from the Chief Executive Officer.

The up-to-date version of this Directive in effect at all times is available on the Bank's Intranet site.

8 Related Directives

No.	Document Name	Type	Version / Date
1	Local Conflicts of Interest Policy	igazgatósági utasítás	1.1 / 2021.02.26
2	Terms of Business for Investment Services	Terms of Business	2021.03.10

9 Appendix

No.	Description	Type	Version / Date
1.	Trade venue	Table	2.0./2020.05.13.
2.	Sample tables	Table	1.0./2018.01.03.

Appendix 1 / Trade locations

Type	Execution venues	Minimum amount	Firm order	Call order
Spot conversion	OTC market against own account	EUR 20,000	yes, from EUR 20,000	yes
FX forward transactions (FX Spot + FX swap)	OTC market against own account	EUR 20.000	yes, from EUR 20,000	yes
Plain vanilla FX option	OTC market against own account	individual	no	no
Dual currency structured investments	OTC market against own account	individual	no	no
Interest rate swaps (IRS; CIRS)	OTC market against own account	individual	no	no
Forward rate agreement (FRA)	OTC market against own account	individual	no	no
FX Swap	OTC market against own account	EUR 20.000	no	no

Appendix 2 / Sample tables

Sample table to be used in the case of information related to client orders made by retail clients

Instrument class				
Reporting on whether there was <1 per trading day on average in the previous year	Y/N			
Execution venues	**Traded volume as a percentage of the entire volume in the given class**	**Executed orders as a percentage of total orders in the given class**	**Percentage of passive orders***	**Percentage of aggressive orders****
OTC market (as own account transaction)	100%	100%		

Sample table to be used in the case of information related to client orders made by professional clients

Instrument class				
Reporting on whether there was <1 per trading day on average in the previous year	Y/N			
Execution venues	**Traded volume as a percentage of the entire volume in the given class**	**Executed orders as a percentage of total orders in the given class**	**Percentage of passive orders**	**Percentage of aggressive orders**
OTC market (as own account transaction)	100 %	100%		

Sample table to be used in the case of information related to securities financing

Instrument class		
Reporting on whether there was < 1 per trading day on average in the previous year	Y/N	
First five venues ranked by volume (in descending order)	**Executed volume as a percentage of the entire volume in the given class**	**Executed orders as a percentage of total orders in the given class**
OTC market (as own account transaction)		

* An order entered into the order book that provided liquidity.
** An order entered into the order book that took liquidity.

10 Details on the modifications

Version	Date	Chapter	Amendments / background information
1.0	2018.02.19.	all	implementation of the directive
1.1	2018.07.20.	3. 5.3. 6. 8.	desk name change order aggregation desk name change change of the related directive
1.2	2019.03.27.	5.1 5.4.2 5.6 Appendix1	cancellation of securities products cancellation of the entire chapter desk name change cancellation of securities products
1.3	2019.05.15.	Appendix1	cancellation of forward IR option
1.4	2020.05.13.	5.6 Appendix1	limitatiton of the publication channels modification of the minimum amount of FX forwards and swaps an the limit order (lower thresholds)
1.5	2021.03.19	3., 5.6., 6.	desk name change

11 Closing Provisions

At present, the Bank does not perform portfolio management activities, nor does it take or forward orders. In view thereof, the provisions of Article 65 of Commission Delegated Regulation (EU) 2017/565 shall not apply in respect of the Bank.

Units involved in the consultation process:

- LEGAL
- PM
- TBO

Imprint

Prepared by: CM CSI

Commerzbank Zrt.

26 March 2021