

# Best Execution and Client Order Execution Policy (WFSE)

Supplemental to the Risk Management Framework.

Published December 13, 2022

## 1. Purpose

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This policy sets out how Wells Fargo Securities Europe S.A. ("**WFSE**") complies with the regulatory obligation to achieve the best possible result when executing orders on behalf of a professional client in financial instruments.

## 2. Scope

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This policy applies to employees of Wells Fargo Securities Europe S.A.

## 3. Summary

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When WFSE executes a transaction with a client, it will either be acting on the client's behalf, or dealing with the client as an arm's length counterparty. If WFSE executes a transaction on a professional client's behalf, it will provide "best execution".

This Policy only applies where WFSE's client has been categorised as a professional client. WFSE does not deal with retail clients and does not provide "best execution" to Eligible Counterparties ("ECs"). see EMEA Client Categorization and Classification Policy for Client's categorization and/or classification

## 4. Understanding Best Execution

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### 4.1 Legitimate Reliance

When professional clients decide to deal with WFSE against quoted prices, the presumption is that such professional clients do not place legitimate reliance on WFSE to provide best execution. A client should contact WFSE where it believes there is legitimate reliance on WFSE to provide best execution, so that an appropriate assessment can be made.

### 4.2 Asset/Product Classes

WFSE divides its client order execution capabilities within divisions determined by asset/product class. In respect of some classes WFSE will act primarily as dealer, in respect of others it may also act on behalf of clients.

### 4.3 Execution, Reception and Transmission of Orders

Generally, where WFSE is acting on a client's behalf, it will either handle resting orders as detailed in this Policy, or may, at its discretion pass such orders to other firm(s) to execute. Such other firm(s) may be connected or affiliated with WFSE. In these circumstances, WFSE will satisfy itself that the other firm has arrangements in place to enable WFSE to comply with this Policy. In the case the other

firm is outside the EEA, WFSE will require that orders are executed according to local rules and regulations.

#### **4.4 Best Results**

When executing orders on behalf of clients, WFSE must take sufficient steps to obtain the best result for its clients (provide "best execution"). WFSE will meet this requirement by considering all relevant "execution factors" and the characteristics of the client, including categorisation; order; financial instrument(s) that is the subject of the order; and venues on which the order can be executed.

Best execution does not mean obtaining the best price for every client order; rather it means WFSE seeing that the best possible result that can reasonably be expected (directly or indirectly) is achieved on a consistent basis in line with the resources available. When passing orders to execution venues and third parties for execution WFSE will meet its best execution obligations by selecting execution venues and entities where the quality of execution is such that WFSE can consistently achieve best execution.

#### **4.5 Specific Instructions**

Where WFSE receives a legitimate instruction from a client, which covers one part or aspect of an order by specifying how an order is to be executed with respect to one or more execution factors, WFSE will execute the order following the specific instruction whilst still considering the relevance of the other execution factors so as to meet WFSE's best execution obligations in respect of any other part or aspect of that order which is not covered by the specific instruction.

WFSE will not induce a client to instruct it to execute an order in a particular way, by expressly indicating or implicitly suggesting the content of the instruction to the client, when WFSE ought reasonably to know that an instruction to that effect is likely to prevent it from obtaining the best possible result for that client. However, this must not prevent WFSE from inviting a client to choose between two or more specified trading venues, provided those venues are consistent with this Policy.

#### **4.6 Execution Venues**

When WFSE executes orders on a client's behalf it will look to achieve the best result by selecting execution venues that consistently allow it to achieve the best result.

Venues can be:

- EEA Regulated Markets (usually exchanges where companies have their securities listed or admitted to trading and those exchanges where derivatives are listed and traded),
- Multi-lateral Trading Facilities ("MTFs") and Organised Trading Facilities ("OTFs"),
- Systematic Internalisers ("SIs"); investment firms which on an organised substantial frequent and systematic basis deal on own account by executing client orders outside a trading venue (i.e., regulated market, MTF or OTF), and
- Market makers and other liquidity providers that have similar functions to any of the above, including non-EEA regulated markets and exchanges.

#### **4.7 Over the Counter ("OTC") and Express Consent**

Orders executed other than through the order books of an EEA trading venue (or an equivalent third country venue) are considered as OTC executions. This Policy provides for OTC executions including the possibility that orders may be routed to WFSE or an affiliate acting as an execution venue.

Express consent from the client is required before WFSE may proceed to execute client orders in such a fashion, and where appropriate WFSE will seek such consent by way of general agreement i.e., within the Terms of Business, stand-alone consent letter, or individually in relation to specific transactions.

Express consent will not be required for an OTC execution in situations where the relevant financial instrument is not listed on or admitted to trading on an EEA trading venue.

#### **4.8 OTC Risk Factors**

There are some consequences of trading OTC that clients must be aware of. WFSE's professional clients should inform themselves and take advice where appropriate regarding these consequences. For example, and not an exhaustive list, consequences of trading OTC can mean that transactions are not carried out subject to the rules of an EEA trading venue, that counterparty risk may arise if the transactions are not cleared, that transparency obligations which are discharged by a trading venue fall to the OTC counterparts to discharge.

#### **4.9 Execution Venues Chosen by and Relied Upon by WFSE**

A non-exhaustive list of the venues chosen by and substantially relied upon by WFSE and which it considers will consistently provide for the best result when executing orders on behalf of clients, is provided in Appendix 2. The venues listed also include those where WFSE may execute client orders where no best execution obligation is owed. The venue list includes WFSE when it acts as dealer. Most of the listed venues are venues where there is no alternative for the financial instrument in question or non-EEA venues subject to non-E.U. rules and regulations.

Where competing venues are possible, transaction cost analysis tools provided by third-party vendors are used, both ex-ante and ex-post, to confirm that the best result is consistently achieved and to provide formal analysis of execution quality.

Where only a single execution venue is possible, for example in the case of listed non fungible futures and options, the venue selection process will reflect the absence of choice. WFSE will route orders in such instruments to the relevant (single) venue, and execution of the order in compliance with the venue's applicable rules and trading procedures will be regarded as achieving the best result when acting on a client's behalf.

Where there is more than one execution venue for a financial instrument but only a single execution venue is selected, WFSE will evidence its reasonable expectation that the selected execution venue is able to consistently provide the best results for clients. The evidence will comprise:

- The execution quality data set out in WFSE annual Best Execution report; and
- A review, annually or more frequently if appropriate, of whether new execution venues, functionalities and execution services have been developed to determine whether the decision to select a single venue continues to be justifiable.

#### **4.10 Review of New Execution Venues**

The relevant Line of Business, Operations and Compliance employee will:

- Consider the data relating to the quality of execution of transactions published quarterly by the execution venues;
- Consider any other relevant source of data; and
- Benchmark the value of expected aggregate price improvements by adding a venue and comparing the expected outcomes against an assessment of any additional direct, indirect, or implicit costs (to the extent that such costs would be directly or indirectly passed on to clients), counterparty or operational risks.

WFSE does not receive fees, rebates, or inducements from execution venues. WFSE will also take steps not to structure or charge its commissions in such a way as to discriminate unfairly between execution venues.

#### **4.11 Execution Where There are Competing Chosen Venues**

Where there are multiple chosen EEA venues capable of executing an order (listed in Appendix 2) employees must assess and compare on an ex-ante basis:

- The results that would be achieved for the client by executing the order on each listed execution venue.
- The costs of executing the order on each listed execution venue; and
- WFSE's own commissions, if any, on each listed execution venue.

#### **4.12 Execution Where There is a Single Venue**

Employees must submit the order to the relevant venue in compliance with the venue rules and procedures, considering any specific client instructions.

## **5. General**

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### **5.1 General Section Title**

WFSE will normally send or route a resting order to one or more execution venues, directly or via a member of the relevant venue(s) or via an affiliate, chosen in accordance with this Policy.

The decision-making process concerning the routing of an order may consider as appropriate the "execution factors" of price, costs, the financial instrument, speed, size, confidentiality, likelihood of execution and settlement, or any other relevant consideration.

Orders may at WFSE's discretion be reviewed during their execution life cycle and amended, for example by changing the venue choice or by the amounts of order sent to any venue or combination of venues, where this is considered appropriate or desirable for best execution purposes. Where there is only one venue this may not be possible.

### **5.2 Use of Affiliates**

It is common practice for global financial services/banking groups to use shared services. Shared services may include Information Technology, risk management, clearing and settlement. WFSE uses shared services as part of the Wells Fargo group. Shared services are documented pursuant to outsourcing arrangements, and appropriate service level agreements are in place between the users and providers of Wells Fargo shared services.

Wells Fargo group companies may use the services of affiliates to access local markets. Affiliates may be used in an intermediary and/or in a dealer/liquidity provider capacity. WFSE uses affiliates to access non-EU markets. Fees paid for such affiliate use may be rebated back to WFSE in whole or part.

### **5.3 Determining the Relative Importance of Execution Factors**

#### **Price**

The factors can vary from asset/product class on a case-by-case basis and by individual client. WFSE can be instructed by clients as to their preference. For example, clients may instruct Wells Fargo that the most relevant execution factor is price meaning that in taking sufficient steps to achieve the best result for its client a greater weighting will be allocated by Wells Fargo to price. By way of contrast an order placed "at market" will have a greater weighting given to the execution factor of "speed" (of execution). Absent any instruction to the contrary, WFSE will assign the greatest weight to price and cost for all asset/product classes.

### **Client Confidentiality**

WFSE treats all client orders as confidential. Publication of client resting orders to one or more execution venues may not always result in the best result being achieved, particularly if: the financial instrument is not liquid, and/or the order is Large in Scale "LiS" or above the Size Specific to the Financial Instrument "SSTI."

### **Shares**

Client limit orders in respect of shares which cannot be immediately executed must be made public unless the client instructs otherwise. Unless we are notified to the contrary in writing, WFSE will have received express instructions from our clients (pursuant to the Terms of Business or otherwise) not to publish unfilled limit orders, unless WFSE decides in its discretion to do so.

### **Debt**

When WFSE receives a resting client order in an illiquid financial instrument, or in a size larger than LiS or SSTI, it will generally use only itself as the execution venue to fill such an order so as to avoid any possible information leakage concerning the size and nature of the client order.

## **5.4 Execution Strategies**

Depending on asset/product class, WFSE offers various order execution strategies, including algorithmic strategies. More details are provided in the asset/product class section of this document.

## **5.5 Client Characteristics**

WFSE will consider certain client characteristics, such as understanding and experience of the market in question, dealing profile, the nature of the execution service required and the specific and general instructions given which may prioritize how orders are sent, routed, or executed.

# **6. Policy Review**

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## **6.1 Regular Monitoring and Review**

WFSE will monitor, review, and assess this Policy's effectiveness on at least an annual basis, and whenever a material change occurs which may affect WFSE's ability to consistently achieve the best result using a chosen venue. Changes to the execution arrangements following from such monitoring will be made as WFSE considers appropriate.

The review will include an assessment of the execution venues listed in [Appendix 2](#) to confirm that they provide the best possible result for clients, considering:

- Data published by each execution venue on the quality of the transactions it has executed; and,
- The annual summaries of investments firms' top five execution venues and/or brokers used.

# **7. Communication with Clients**

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## **7.1 Client Consent**

This Policy must be read alongside WFSE Terms of Business related to Investment Services and Ancillary Services. By entering a contract with WFSE for investment services or by giving WFSE orders for execution, a client is deemed as giving its consent to this Policy unless WFSE is expressly notified otherwise.

### **Express Consents**

When dealing with an established client for the first time outside of a trading venue, employees will check the client static data system of record or client on-boarding team to verify the client has given its "Express consent" to WFSE executing their order away from an EEA trading venue. When establishing a new trading relationship with a client, these consents will be obtained prior to dealing, as necessary. In practice, WFSE will ordinarily obtain the required consent at the account opening stage.

## **7.2 Order Execution Enquiries**

Where a client wishes to query an order execution, such client may ask WFSE to demonstrate that it has executed an order in compliance with the Policy.

## **7.3 Best Execution Reports**

WFSE will publish a report (RTS 28) in April of each year starting 2019, for each class of financial instrument where best execution has been applicable. The report will include

The analysis and conclusions drawn from the detailed monitoring of execution quality, and

The top five execution venues and brokers used in terms of trading volumes for all client orders that have been executed in the preceding year, including the following information:

Volume of client orders executed, using each execution venue or broker expressed as a percentage of total executed volume;

Number of client orders executed by each execution venue or broker expressed as a percentage of total executed orders; and

Confirmation of whether WFSE has executed an average of less than one trade per business day in the previous year in that class of financial instrument.

The reports will be freely available on the Wells Fargo website. They will be machine readable and available for two years after publication.

The obligation for WFSE to publish a quarterly report on the quality of execution of transaction (RTS 27) is temporarily suspended until February 2023.

# **8. Client Order Handling**

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## **8.1 How WFSE Provides for Prompt, Fair and Expeditious Execution of Client Orders**

Employees will execute comparable client orders promptly and sequentially, unless the characteristics of the order or prevailing market conditions make this impossible or impracticable, or the interests of the client require otherwise. In all instances, employees will make sure that clients are treated fairly.

Orders will not be treated sequentially if they are received by different media, for example, one order is received by telephone and another order by electronic means.

Employees will ensure:

- All client orders are promptly and accurately allocated;
- All client orders are promptly and accurately recorded both at the point of receiving the order and at the point of its execution; and
- They do not act in any way on information obtained from, or related to, pending client orders which would amount to misuse of that information.
- All communications with the clients will be by electronic means where applicable.

### **8.2 Aggregation of Client Orders**

Employees will only aggregate a client order with another client order or with an own account transaction if it is unlikely that:

- The aggregation will work overall to the disadvantage of any client whose order is to be aggregated; or
- The allocation of the related trades will be carried out in a way that is detrimental to the client.

### **8.3 Allocating Client Orders**

WFSE will allocate all orders fairly and will not give preference to any one client over another. WFSE will endeavour to ensure that the allocation of partially executed aggregated orders is done on a fair basis. Allocation of partially executed orders will be changed primarily based on the time that the relevant orders were received, and a secondary consideration will be the relative sizes of the respective orders. In all instances, WFSE will take steps to ensure that all clients are treated fairly.

If WFSE has aggregated client orders with any WFSE own account orders and it cannot complete the total order, it will fill the client orders first - unless it can show that without WFSE's participation the order could not have been filled on such favourable terms or at all. In these circumstances, WFSE must allocate the order to its account as appropriate. Should this be the case, WFSE must document the reasoning behind this decision.

## **9. Escalation**

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### **9.1 Enterprise Escalation Management Policy Criteria**

All employees are expected to escalate potential and known issues and risks in a timely manner. See the Escalation Management Policy for escalation criteria.

## **10. Roles and Responsibilities**

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### **10.1 Business Groups**

The line of business must have controls in place to demonstrate conformance with the policy including:

- Taking sufficient steps to obtain the best result.
- Obtaining required client consents.
- Monitoring execution quality, for example by use of Transaction Cost Analysis tools.

## 11. Managing This Policy

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### 11.1 Accountability

The following individuals are responsible for managing this Policy:

- Executive officer: Chief Risk Officer
- Policy owner: EMEA Head of Compliance

### 11.2 Monitoring This Policy

WFSE will have controls in place to supervise the effectiveness of the arrangements for execution orders and this Policy, to detect any deficiencies and remedy them as appropriate. WFSE will periodically verify whether the execution venues provide for the best possible result for the client or whether it is necessary to modify the execution arrangements notably considering the information available. The controls will also mitigate risks of best execution requirements not being met.

### 11.3 Policy Exceptions and Violations

To request an exception or to report a suspected violation of this Policy, see the Policy Management Procedures.

## 12. Related Information

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### 12.1 Related Law or Regulation

#### Markets in Financial Instruments:

- Directive: Recitals 91, 97
- Directive: Article 24(1), General principles, and information to clients
- Directive: Article 27, Obligation to execute orders on terms most favourable to the client
- Directive: Article 28, Client order handling rules
- Delegated Directive: Article 11, inducement
- Delegated Regulation: Recital 99, 100, 102, 103, 104, 105, 106, 107, 108.
- Delegated Regulation: Article 64, Best Execution criteria
- Delegated Regulation: Article 65, Duty of investment firms carrying out portfolio management, and reception and transmission of orders to act in the best interests of the client
- Delegated Regulation: Article 66, Execution Policy Delegated Regulation: Article 68, Aggregation and allocation of orders
- Delegated Regulation: Article 69, Aggregation and allocation of transactions for own account
- Delegated Regulation: Article 70, Prompt fair and expeditious execution of client orders and publication of unexecuted client limit orders for shares traded on a trading venue
- Quick fix directive published by the European Commission on the 16th of February 2021, regarding the temporary suspension of best execution reports.

**French Monetary and Financial Code** Articles L. 533-18, L.533-18-1, L.533-18-2 and L.533-19

**AMF Position- Recommendation DOC-2014- 07-** Guide to best Execution.

*The Wells Fargo Legal Department is the final authority for interpreting laws and regulations on behalf of Wells Fargo. For more information about or interpretation of applicable laws or regulations, consult the Wells Fargo Legal Department.*

## **12.2 Related Policies or Resources**

EMEA Client Categorisation and Classification Policy

Enterprise Third-Party Risk Management Policy

Escalation Management Policy

Policy Management Procedures

Risk Management Framework

## **Appendix 1**

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### **Definitions**

#### **Client Limit Order**

A "Client Limit Order" is an order to buy or sell a financial instrument at a specified price limit or better, and for a specified size.

#### **Dealing" or "Dealing as Counterparty**

"Dealing" or "Dealing as Counterparty" is where WFSE deals as an arm's length counterparty as principal against proprietary capital, without giving any undertaking to provide best execution without legitimate reliance being placed upon WFSE, and not in relation to the execution of a resting order. This includes where WFSE, in response to client requests, provides quotes/prices upon which a client can deal, and the client decides to deal with WFSE at one or more of those quoted prices.

#### **Employee**

"Employee" means all persons of the Wells Fargo group contracted to work or assigned to in relation to Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A. and Wells Fargo Bank, N.A. - London Branch, regardless of whether the employee is classified as full-time, part-time, or otherwise; and/or all third-party service providers, as defined in the Enterprise Third-Party Risk Management Policy, contracted to work in relation to Wells Fargo Securities International Limited, Wells Fargo Securities Europe SA and Wells Fargo Bank, N.A. - London Branch, to the extent that the terms of their engagement require compliance with this Policy.

#### **Executing an Order on Behalf of a Client**

"Executing an Order on Behalf of a Client" is where a client has placed a resting order, or WFSE deals as principal and not as agent but assumes similar duties to those of an agent. This includes where WFSE executes a resting order as principal (riskless or against proprietary capital) or has been given authority to exercise discretion to deal on a client's behalf and WFSE explicitly agrees to this authorization.

#### **Execution Venue**

"Execution Venue" is a regulated market, an MTF, an OTF, a systematic internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.

**Financial Instruments**

“Financial Instruments” means, for the purposes of this Policy, those instruments listed at Annex C of the Markets in Financial Instruments Directive (“MiFID”) for which WFSE has been authorized by l’Autorité de contrôle prudentiel et de resolution.

**Own Account Transaction**

“Own Account Transaction” is a principal transaction using WFSE’s proprietary capital.

**Resting Order**

“Resting Order” is a client order the terms of which mean it is not immediately executable.

**Trading Venue**

“Trading Venue” is a regulated market, a MTF or an OTF.

## Appendix 2

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**Execution Venues and Strategies**

| Asset/ product class   | Execution venues / brokers used for professional client orders   | Additional Execution venues chosen by clients |
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| US Equities – shares and depositary receipts   | Various USA execution venues including:<br>NYSE,<br>Wells Fargo Securities LLC,<br>NYSE Archipelago, Union Bank of Switzerland ATS<br>NASDAQ,<br>BATS, and<br>IEX Exchange.<br><br>The execution venues are accessed via our affiliate Wells Fargo Securities LLC which may also act as execution venue. |   |
| Debt instruments<br>(a) Bonds, Government, Municipal, Agency and Corporate (incl. Convertible, HY and ABF)<br>(b) Money market instruments | WFSE   | Marketaxess<br>Tradeweb<br>Bloomberg          |

## Appendix 3

### Asset/Product Class Information

| Asset/ Product Class | Description  | Application  |
|----------------------|--|--|
| Debt                 | Government, Agency, Corporate (incl. Convertibles, HY and ABF) | <p>WFSE current business model is to act primarily as a dealer.</p> <p>Out of Scope<br/>                     Clients typically initiate transactions by requesting quote/ dealing prices. They generally can “shop around” and place no reliance on WFSE. The prices quoted are “all-in” prices. No further costs are charged.</p> <p>In Scope<br/>                     When clients leave resting orders, or place reliance on WFSE.</p>  |
| US Equities          | Shares and depositary receipts                                 | <p>WFSE’s current business model is to offer an execution only service for US Equities. Client orders are sent to a USA affiliate, Wells Fargo Securities LLC for placing onto various US execution venues, or for execution itself as an execution venue. Fees charged by the affiliate for this service are rebated back to WFSE. Any dual listed shares between the USA and EEA will be executed in the most liquid market unless instructed otherwise.</p> <p>In Scope<br/>                     All client orders.</p> |