Deutsche Bank

Level 3

Order Execution Policy Annex: Cash Equities

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1. Introduction

This Annex provides specific information on the approach to best execution taken by Deutsche Bank when handling or executing Orders in cash equity instruments (which includes common stock, rights, warrants, preference shares, American Depositary Receipts (ADRs) and Global Depositary Receipts (GDRs)) (collectively referred to as Cash Equities) on behalf of Professional Clients as required by MiFID II. The term "Client" should therefore be interpreted as referring to Professional Clients only in the context of this Annex.

This Annex should be read in conjunction with Deutsche Bank's overarching Order Execution Policy, available at https://www.db.com/company/en/order-execution-policy.html (the **Policy**). All defined terms which have not been defined in this Annex shall have the meaning given in the Policy.

2. Scope

This Annex covers Orders in the Equities – shares & depositary receipts asset class (**Cash Equities Asset Class**.

3. Legitimate Reliance and Application of the Four-Fold Test

In the context of the Cash Equities Business, Deutsche Bank provides a range of execution methods to its Clients. The Bank's assessment of whether a Client places legitimate reliance on it is determined in accordance with the Four Fold Test. The application of best execution to the different methods of execution offered by Deutsche Bank in the context of the Cash Equities Business is set out below.

3.1 High Touch Sales Trading and Trading

Deutsche Bank considers that it owes best execution to Clients when executing Orders on a Client's behalf in respect of "worked orders", as it considers that the Client is legitimately relying on the Bank to look after its interests. Examples of this include:
- a. where the Client leaves Deutsche Bank an Order and Deutsche Bank executes this on behalf of the Client on one or more Execution Venues;
- b. where Deutsche Bank accepts an instruction to "work" an Order and it makes decisions on how it will be executed (including if all or part of that Order is filled from the Bank's books), as Deutsche Bank will be exercising discretion, on an "agency like" or riskless principal basis, in executing that Order on behalf of the Client. Deutsche Bank can do this by: (i) executing the Order using its Smart Order Router (further discussed below) to access liquidity on various Execution Venues; (ii) providing liquidity as principal (e.g. from its own book); (iii) matching complementary Client Orders at an agreed price; or (iv) a combination of (i) – (iii).

Deutsche Bank has concluded that best execution does not typically apply in the context of quote driven activity (i.e. RFQ activity) in circumstances where a Client asks Deutsche Bank to commit capital and to provide its best price, or where Deutsche Bank is distributing a Block position, on the basis that it does not consider that the Client is legitimately relying on Deutsche Bank in these circumstances by reference to the Four Fold Test (as defined in the Policy).

3.2 Portfolio Trading

Portfolio trading (also known as Program Trading) involves Deutsche Bank executing trades in a basket of securities (bespoke or benchmark e.g. basket of FTSE100 stocks). In executing such Orders, Deutsche Bank considers that best execution is owed in respect of "agency style" program trades, i.e. where a Client gives an instruction to Deutsche Bank to "work the Order". Where Deutsche Bank executes a program trade on behalf of a Client, Deutsche Bank will take all sufficient steps to

obtain the best possible result in relation to the entire portfolio rather than in relation to individual transactions within the portfolio.

In the context of Risk Portfolios where Deutsche Bank bids on portfolios of stocks as principal, either on a fully disclosed or blind basis, Deutsche Bank does not consider that it owes best execution. Deutsche Bank believes that in these circumstances, the prices that Deutsche Bank quote are Deutsche Bank's own risk prices (where Deutsche Bank commits its own capital), and as such Deutsche Bank do not believe that the Client is legitimately relying on Deutsche Bank to act on its behalf to obtain best execution.

3.3 Electronic Trading

Autobahn is the brand name for Deutsche Bank's Electronic Trading product and it provides Clients with electronic access to Execution Venues (including exchanges and internal sources of liquidity) via our proprietary Smart Order Router ("SOR") and algorithms as well Direct Market Access ("DMA").

Subject to any specific instruction (see section 2.2 of the Policy), Best Execution ordinarily applies to orders executed through the Deutsche Bank algorithms and the SOR.

Deutsche Bank considers that best execution does not generally apply to:

- sponsored access arrangements: direct technical connection that enables Clients to access an exchange directly under the Deutsche Bank trading ID;
- DMA: an arrangement through which Deutsche Bank permits Clients to transmit Orders electronically to Deutsche Bank for onward transmission to an exchange or Trading Platform under Deutsche Bank's trading ID where neither our SOR or algorithms are used;
- Deutsche Bank Direct Capital Access ("DCA"): available for certain Clients where Deutsche Bank commits capital directly.

Although Deutsche Bank has concluded that best execution does not typically apply in certain of the circumstances outlined above, there may be limited circumstances in which, following the application of the Four Fold Test, it cannot be clearly established that a Client is not placing reliance on Deutsche Bank. In such circumstances, Deutsche Bank will consider if, on balance, the Client is likely to be placing legitimate reliance on it and, if it determines that it is, will provide best execution when executing the Order.

It is important to be aware that even in the circumstances described above where the best execution obligation does not apply, Deutsche Bank is still required to treat the Client fairly and to manage any conflicts of interest that may arise.

4. Execution Factors and Order Handling

For high touch business, where a sales trader is in receipt of an Order from a Client, they have a number of options as to how to route an Order, depending on the Client's instructions and the level of any discretion given. Any such discretion will be exercised in accordance with due consideration of the Execution Factors. As a result, the sales trader may:

1. Cross the Order with other working complementary orders on a Trading Venue;
2. Input the Order into the algorithmic suite via the order management system;
3. Access risk capital via Deutsche Bank's Systematic Internaliser; or
4. Route the Order to a high touch trader for execution on an Execution Venue directly or a combination of Execution Venues including potentially Deutsche Bank's Systematic Internaliser.

The decision making process concerning the routing of an Order in a way that achieves the best possible result for the Client will be assessed by reference to the Execution Factors as part of Deutsche Bank's obligation to take all sufficient steps to obtain the best possible result for its Clients. The relative importance that Deutsche Bank assigns to each of the Execution Factors is set out below:

The relative importance that Deutsche Bank assigns to each of the Execution Factors is set out below, along with the circumstances in which Deutsche Bank might prioritise different execution factors over price:

i) Price: this is the price of the transaction excluding Deutsche Bank's own execution charges. Deutsche Bank will typically assign the greatest weight to this Execution Factor. Price will be considered in terms of the overall transaction.

ii) Size of the transaction: The likelihood that Deutsche Bank, or the entity to which Deutsche Bank is to transmit the Client's Order, are able to fill an order of the size anticipated at an appropriate price. Deutsche Bank typically gives the second highest weight to this Execution Factor, except where Deutsche Bank believes that a particular option is unlikely to result in successful execution of the total transaction, in which case this factor may be given more importance than price.

iii) Speed: this is the pace at which Deutsche Bank is able to progress an Order. This is usually given priority over costs, likelihood of execution and settlement and the nature of the transaction, but its importance is typically less than the price and size.

iv) Likelihood of execution and settlement: this is the likelihood that Deutsche Bank, or the entity to which Deutsche Bank transmits the Client's Order, is able to fill an Order, or at least a substantial part of it, in its entirety, and the likelihood that Deutsche Bank can settle the transaction in a timely fashion once executed or transmitted. The importance of this factor increases where access to liquidity in the relevant instrument is constrained in some way, such as where the product is illiquid. Deutsche Bank expects that where the product is liquid, this will not be a significant factor and in most cases will come after price and size in priority.

v) Costs: these are the costs incurred by the Client that relate to the execution or Deutsche Bank's transmission of the Client's Order. Cost includes any implicit transaction cost that Deutsche Bank expects that the Client will incur. This is normally given priority over the nature of the transaction, but not over the other factors other than where costs are directly relevant to the transaction. In the event that costs have a significant detrimental impact on the Order, Deutsche Bank may prioritise this factor above the factors listed above.

vi) Nature of the transaction, such as any specific terms and the overall complexity of the transaction: this includes the type and duration of the Order Deutsche Bank receives, including limit Orders, stop/loss Orders, at the open / close, market, good for day or good till date. The nature of the transaction may impact directly on the other Execution Factors listed above, and may in some cases mean that the nature of the transaction is prioritised over other factors.

vii) Any other consideration relevant to the execution of the order, such as available internal and/or external liquidity for the relevant instrument and the potential impact on the market of execution. The weight of these additional factors will depend on the Order in question and the market conditions.

There may be circumstances where the weighting given to, and importance placed on, the Execution Factors will vary depending on i) general market conditions during the period of execution, including volatility and available market liquidity, and ii) the precise terms and complexity of the transaction. The importance may also depend on:

- the Financial Instrument and liquidity profile of the instrument (e.g. ADRs, warrants, small/mid/large cap stocks, etc);
- Client characteristics;
- Client objectives (e.g. urgency, required participation rate, benchmark, price impact, participation in auction, etc);
- Order type and size (e.g. iceberg, vwap and twap algorithms, etc);

- market environment and prevailing market conditions (e.g. market volatility, liquidity of market, etc);
- sales trader's knowledge of the Client's Order handling preferences; and
- market/Execution Venue conditions to which the order can be directed.

As noted above, price will typically be the most important Execution Factor and will usually be given the most weight. Where circumstances exist such that the usual prioritization of the Execution Factors would not result in the best outcome for the Client, Deutsche Bank will determine the relative priority of each Execution Factor on an order-by-order basis, where the Order is executed manually, and by Order type (for example, iceberg or duration orders), where the Order is executed using an algorithm.

Deutsche Bank reserves the right to consider all the Execution Factors and their relative weighting in light of the specific circumstances and instructions relating to individual transactions.

Orders may at the Bank'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 particular Venue or combination of Venues, where this is considered appropriate or desirable for best execution purposes.

5. SOR

When accessing markets electronically including via Deutsche Bank's algorithms, the routing decisions are made by our SOR which is subject to periodic review as part of our frequent best execution monitoring (see section 6 of the Policy and section 8 below) and in some cases (unless otherwise instructed in accordance with section 7.2 of the Policy), Deutsche Bank may choose to internalise the Client's Order by executing it in part or in whole from our own principal book. Further details on the Autobahn Equity EMEA Routing Logic can be found at the following link:

https://autobahn.db.com/microSite/docs/DB_RoutingLogic_EMEA_2017_SHORT_v7.pdf

The use of Deutsche Bank algorithms and SOR, subject to any specific instructions, are generally considered to be within the scope of best execution.

More information on Deutsche Bank's Systematic Internaliser can be found here:

https://autobahn.db.com/microSite/docs/Systematic_Internaliser_EMEA.pdf

6. Execution Venues on which DB places significant reliance

Deutsche Bank executes its Client Orders on the following Venues and considers that these Venues enable it to obtain best execution and therefore satisfy its best execution obligation on a consistent basis. This list contains those Venues on which Deutsche Bank places significant reliance. It is therefore not exhaustive and will be subject to change as described in this Policy and will be re-issued from time to time. As mentioned above, Deutsche Bank may also choose to internalise the Order by executing it in part or in whole from its own principal book. Any additional Venues used, but not listed here, will nevertheless still have been selected in accordance with this Policy.

The execution venues used for the execution and transmission of all Orders in respect of the Cash Equities Asset Class are available at the following link:

https://autobahn.db.com/microSite/docs/DB_ExecutionDestinations_EMEA_2017_v3.pdf

See Section 8 of the Policy for the risks associated with OTC execution

In selecting the Execution Venues listed above, Deutsche Bank has had regard to the following factors (in order of importance):

- Liquidity available on the relevant venue;

- Volume available on the relevant venue;

- Execution performance; and

- Other factors, such as clearing schemes, circuit breakers and scheduled auctions.

Deutsche Bank selects the Execution Venues which it considers consistently provides best execution for the execution of Client Orders. When selecting whether to include a particular Execution Venue on the list of venues to which Orders may be transmitted, or the list of venues on which Orders are executed, Deutsche Bank reviews the order execution policy of the relevant venue, and also takes into account information and data published by the relevant venue, which it compares against other comparable venues to ensure that the venue does provide best execution on a consistent basis.

The execution strategies employed by Deutsche Bank are as set out in section 3 above.

7. Order Monitoring and Governance

Deutsche Bank will monitor the effectiveness of its execution arrangements and Policy, including this Annex, in accordance with section 6 of the Policy.

Deutsche Bank's Equities business has established the EMEA Equities Order Execution Council (the *Council*). The Council has implemented a governance framework with oversight for this Annex and monitors the effectiveness of its Order execution arrangements on an ongoing basis to identify and implement any appropriate enhancements to ensure compliance with this Annex.

The Council will review this Annex at least annually to consider whether this Annex and Deutsche Bank's Order Execution arrangements include all sufficient steps to obtain the best possible result for the execution of Client Orders. Specifically, it will review:
- whether to exclude or to include additional or different Execution Venues;
- whether to assign a different relative importance to the Execution Factors; and
- whether to modify any other aspects of this Policy and/or the Order execution arrangements.

The Council will also conduct a review whenever a material change occurs that could affect Deutsche Bank's ability to comply with the Order execution obligation. What is material will depend on the nature and scope of any change.