



Level 3

Order Execution Policy - Corporate and Investment Bank

Foreign Exchange Annex

Deutsche Bank AG (branches & relevant affiliates within the EEA)
Corporate and Investment Bank Division (“The Bank”)



Information on our MiFID order handling & execution policy – Foreign Exchange

1. Introduction

This Annex provides information on how, where and when best execution is delivered by Deutsche Bank's Foreign Exchange business in its Corporate and Investment Bank division when handling or executing transactions with Professional Clients, as required by the 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 applies to business undertaken with Deutsche Bank's FX business (including Emerging Markets FX business).

This Annex covers Orders in foreign exchange products in the following asset classes:

- Currency derivatives, including swaps, forwards, and other currency derivatives;
- Securitised derivatives;
- Structured finance instruments
- Debt instruments,

together, the **FX Asset Classes**.

See section 4 below in relation to spot foreign exchange and precious metals transactions.

Note that this Annex does not apply to listed products. Please refer to the Listed Derivatives Annex for our policy in respect of listed products.

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

As outlined in the Policy, best execution is owed where Deutsche Bank executes Orders on behalf of Clients where Clients place legitimate reliance on it to protect their interests in relation to pricing and other elements of the transaction. If Deutsche Bank is not executing an Order on a Client's behalf, Deutsche Bank will not owe best execution to such Client and accordingly the Policy and this Annex will not apply.

Deutsche Bank's Foreign Exchange business predominately operates on negotiated transaction basis where Deutsche Bank is acting in a principal capacity; negotiated transactions include requests for quote (RFQ), indications of interest (IOIs) and call back levels.

Where Deutsche Bank executes an Order on behalf of a Client, and therefore where the Client places legitimate reliance on Deutsche Bank to protect its interests, Deutsche Bank will owe a duty of best execution to the Client. Best execution is not owed to Clients who are not placing legitimate reliance on Deutsche Bank to protect their interests. Deutsche Bank determines if Clients are placing legitimate reliance on it by reference to the Four Fold Test (see Section 2 of the Policy).



Deutsche Bank has determined, by reference to the Four Fold Test, that the majority of business undertaken with Clients does not lead to clients placing legitimate reliance on Deutsche Bank to protect their interests predominantly due to the business operating on a request-for-quote basis and the FX market generally being liquid and transparent and because there is a widespread practice for Clients to shop around.

Therefore, through the application of the Four Fold Test, Deutsche Bank has concluded that in general, with the exception of the examples in section 5, the firm is not acting on behalf of the client, and therefore the client is not placing reliance on Deutsche Bank to protect its interests in the context of Foreign Exchange Business and therefore that in most situations best execution is not owed to the Client.

Although Deutsche Bank has concluded that best execution does not typically apply when transacting on a RFQ basis, there may be limited circumstances where following the application of the Four Fold Test it cannot be clearly established that a Client is not placing reliance on Deutsche Bank. By way of example, this may occur in connection with unwinds or restructuring of certain structured products issued by Deutsche Bank where the Client may rely on Deutsche Bank to price the risk of the transaction or components of it. In such circumstances, Deutsche Bank will consider the Four Fold Test and 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.

For the avoidance of doubt, Deutsche Bank has determined that Clients should not be placing legitimate reliance upon Deutsche Bank when executing the following types of Order:

- Call-backs, where the Client indicates their interest to trade with Deutsche Bank at or near a certain price. If Deutsche Bank subsequently is prepared to trade at or near that price Deutsche Bank will call the Client back and quote the price at which Deutsche Bank is willing to trade. The decision to proceed or not with that trade at the Deutsche Bank price offered will be with the Client.
- Reference Price Transactions, where the Client places a firm Order with Deutsche Bank to trade at a price that is determined through an agreed upon mechanism prior to entering into the transaction. Clients should be clear that their Order will be executed at that price and they should therefore have no expectation of any price improvement or slippage from the price specified in their Order.
- Fixing or Benchmark Orders, where Deutsche Bank fills the Order at the externally published fixing or benchmark price (plus a spread or fee, if applicable).

4. Spot Foreign Exchange and Precious Metals

As outlined in Deutsche Bank's overarching order execution Policy, the scope of best execution is limited to dealings in Financial Instruments as defined in MiFID II. Deliverable spot foreign exchange and precious metals are not MiFID II Financial Instruments and as such are not required to be covered by the Deutsche Bank's MiFID II Best Execution arrangements.

5. Foreign Exchange Derivatives

Whilst deliverable spot foreign exchange and precious metals are not Financial Instruments, Foreign Exchange derivatives (FX Derivatives) do meet the definition of a financial instrument and are therefore potentially subject to best execution obligations. FX Derivatives include FX forwards, FX swaps, non-deliverable forwards and options. Deutsche Bank's Foreign Exchange business predominately operates on negotiated transaction basis where Deutsche Bank is acting in a principal capacity. However, Deutsche Bank will accept certain Order types for certain FX derivatives. Deutsche Bank's Foreign Exchange business accepts the following Order types in FX derivatives:

- Limit Orders – Deutsche Bank to execute the Order at the specified price limit or better. This includes orders in FX options where the volatility, premium and/or strike are stipulated by the customer.



- Market or 'At best' Orders – Deutsche Bank fills the Order or determines an element of pricing on a best efforts basis.
- Other Orders in FX Options – Deutsche Bank fills the Order if and when it can do so given the parameters stipulated by the customer.

6. Execution Factors

When executing Orders for Clients in FX Financial Instruments, Deutsche Bank considers the Execution Factors as part of its obligation to take all sufficient steps to obtain the best possible result for its Clients.

When determining the relative importance to be assigned to each of the Execution Factors, Deutsche Bank has regard to the nature of the transaction, such as the size of the transaction, any specific terms and the overall complexity of the transaction (including the type and duration of the Order Deutsche Bank receives) and any other consideration which it considers relevant to the execution of the Order, such as available internal and/or external liquidity for the relevant currency pair and the potential impact on the market of execution. By considering these factors, Deutsche Bank is able to determine which of the Execution Factors are most important and the weight that it should give to each.

Typically, the price of the transaction excluding our own execution charges is given the greatest weight. However, where circumstances exist such that the usual prioritisation of the Execution Factors would not result in the best outcome for a Client, Deutsche Bank will determine the relative priority of each Execution Factor on an order-by-order basis. This means that there may be circumstances in which other factors are assigned a greater weight than price. These factors may include:

- likelihood of execution or settlement: this is the likelihood that Deutsche Bank are able to fill an Order in the size specified (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;
- speed: this the pace at which Deutsche Bank is able to progress and Order; and
- costs: these are the costs incurred by the Client that relate to the execution of the Client's Order.

An example of where other factors may be assigned a greater weight than price is where access to liquidity in the relevant product is constrained in some way, such as where the product is illiquid. In such a case, the likelihood of execution and settlement in view of the size of the Order may be assigned a greater weight than price by Deutsche Bank. Speed is usually something that is assigned a greater weight if the nature of the Client Order or market conditions means that this factor is more important than price, but this will depend on the nature of the Order and other relevant considerations, which will be considered upon receipt of the Order. In the majority of cases, costs are usually not considered to be of high importance in the FX Asset Classes, given that there are typically no significant third party costs associated with the execution of these financial instruments, and likelihood of settlement is also not usually assigned a high importance.

Ultimately, 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.

7. Choice of execution venue

Deutsche Bank itself is the sole Execution Venue used for executing Orders in the FX Asset Classes for Clients and therefore is the Execution Venue on which it places significant reliance in meeting its obligation to take all sufficient steps to achieve the best possible result for Clients on a consistent basis. Deutsche Bank considers that by internalizing all Orders it is able to obtain best execution for Clients on a consistent basis. Deutsche Bank reasonably expects that, by selecting this Execution Venue, it will be



able to obtain results for Clients that are at least as good as the results that it could reasonably expect from using alternative Execution Venues.

Deutsche Bank does not transmit orders in the FX Asset Classes to any other entities for execution.

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

8. Monitoring of Best Execution

In accordance with section 6 of the Policy, all transactions (executed either through voice or electronic channels) where Deutsche Bank has assessed that it owes best execution are benchmarked on an individual or aggregate basis against internal reference price or relevant internal data to ensure that best execution is achieved on a consistent basis. Deutsche Bank may use a number of data sources including external and internal price data to produce the relevant internal reference price or relevant internal data.

The results and methodology of such benchmarking will be reviewed on a regular basis to identify if any corrective steps are required, or if alternative Execution Venues should be used. The scope of the application of the best execution obligation and arrangements, including this Policy, are subject to periodic review and will be revised as necessary.