



Agency Securities Lending
Annex to the Order Execution
Policy – Corporate Bank,
Investment Bank, & Capital
Release Unit Divisions



1. Introduction

This Annex provides specific information on the approach to best execution taken by Deutsche Bank when handling or executing Orders in its Agency Securities Lending (“ASL”) business on behalf of Professional Clients as required by MiFID II and Applicable UK Rules. 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 (at <https://www.db.com/order-execution-policy> 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 following asset classes:

- Equities – shares & depositary receipts ;
- Debt instruments – bonds;
- Exchange traded products,

(together the “ASL Asset Classes”),

3. Legitimate Reliance and Application of the Four Fold Test

In the context of the ASL Business, Deutsche Bank provides a range of execution methods to Clients. Deutsche 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 ASL business is set out below.

Deutsche Bank’s ASL business provides Clients with securities lending services to generate returns on the Client’s equity and fixed income long positions.

ASL may also invest cash collateral received from borrowers in respect of these loans, on behalf of Clients. For all securities lending and cash investment transactions that are entered into on the behalf of the Client Deutsche Bank will apply its best execution principles, in order to achieve on a consistent basis, the best possible result for the Client.

4. Execution Factors and Order Handling

4.1 Securities Lending and Borrowing

In the context of securities lending and borrowing, the “price” is the fee/rebate and this is a function of supply/demand and also determined by reference to counterparty and settlement risk. The fee/rebate rate that Deutsche Bank is able to achieve will be a significant factor, however, there are other material factors that affect a loan and its level. In order to achieve the best possible result on a consistent basis, Deutsche Bank will also take into account the following factors (listed in order of importance):

- Whether the counterparties have been approved by the Client, as well as the counterparties’ approval of our Clients;
- Whether a proposed counterparty meets credit risk criteria that Deutsche Bank impose;
- Timing of trade;
- Operational functionality of counterparty
- Market liquidity in lent security;
- Term of trade;
- Collateral parameters;
- Size of transaction;



- Outstanding issued amount of security being lent;
- Rating of lent security;
- Jurisdiction of securities;
- Settlement arrangements and costs of entering into the loan.

Deutsche Bank reserves the right to consider the Execution Factors and their relative weighting in light of specific instructions that the Client provides us and/or the prevailing market conditions.

In order to ensure that loans are fairly allocated between Clients, Deutsche Bank applies a “fair allocation” process. The fair allocation process takes account of factors including but not limited to those outlined above.

4.2 Investment of Cash Collateral

When investing cash collateral on behalf of its Clients, the Execution Factor of price will typically be assigned the greatest weight by Deutsche Bank. In this context, price is represented by the investment rate of return achieved. The investment rate will be dependent on a number of factors including, counterparty appetite, collateral quality, haircuts, term and structure of trade.

Whilst the investment rate is generally comparable across different counterparties that Deutsche Bank may invest the Clients’ cash collateral with, there are also many other factors that will impact a trader’s decision to trade. When investing cash collateral on behalf of the Client, Deutsche Bank will consider:

- Client limits;
- Diversification;
- Past performance in respect of collateral delivery obligations;
- Consistency of cash investment; and
- Whether the investment coincides with a sensitive period, such as month or quarter end.

The last of these is important to balance some counterparties’ requirements for long term funding with any client preference for short-term investments.

4.3 Agency Securities Lending as Principal Borrower

In certain circumstances, ASL may enter into Principal lending arrangements with Clients in accordance with its legal agreement and with parameters that the Client sets in this regard. This means Deutsche Bank may borrow securities from the Client in a principal capacity, and may lend these onwards to borrowers. Borrowers may include third party entities, as well as businesses and entities within the Deutsche Bank Group.

Where Deutsche Bank borrows from the Client in a principal capacity, it will seek to achieve the best possible result for the Client by considering the execution factors as set out in section 4.1 (above). In the context of Securities Finance transactions, the “price” is the fee/rebate and Deutsche Bank will endeavor to offer competitive fees/rebates. Deutsche Bank will observe any parameters set by the Client, such as those regarding minimum fees, collateral quality and maximum lending exposures.

5. Execution Venues

Subject to the below, when Deutsche Bank enters into securities lending transactions on behalf of Clients, all trades will be conducted on an Over the Counter basis. This means there is no official market price or level, and market transparency is limited. Where the Client has not specified counterparties that it is prepared to lend to, Deutsche Bank will approach counterparties directly, through matching systems or counterparties will contact us.

This means that Deutsche Bank itself is the sole Execution Venue used for executing Orders in the ASL 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.

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

In certain circumstances, stock lending may also be facilitated through the use of the matching platform Equilend.com. This platform is designed to process transactions on a global basis. The platform increases efficiency by standardising, centralising and automating front- and back-office processes. Use of this system is driven by borrower demand, and helps to drive down costs and increase efficiency.

6. 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.