

Appendix 2 - Fixed Income Execution Arrangements

This appendix sets out the approach to best execution when handling transactions in bonds and notes (together Fixed Income). It is an appendix to CEB's Best Execution Policy.

When effecting execution of orders or quoting in response to an RFQ in Fixed Income Instruments, CEB NV can be acting in:

- Principal capacity
- Agent or Riskless Principal capacity, executing through:
 - A trading venue
 - An SI or Other Liquidity Provider

The execution can be done both on a Trading Venue and outside a Trading Venue, provided the client has given its consent.

The execution venues on which CEB NV places significant reliance in meeting its best execution obligations on a consistent basis are listed in Appendix 1.

RFQ-based transactions

Due to the OTC-based nature of the market in cash fixed income instruments, transactions with clients will often be performed, with CEB NV acting in a riskless-principal capacity conducting price discovery through an execution venue or quoting directly in principal capacity and with clients deciding whether or not to accept the price quoted by CEB NV. Whether and to what extent a duty of best execution is owed to the client will depend on the criteria set out in paragraph 2.2 of this Policy. Where this duty applies CEB NV shall ensure that it shall check the fairness of the price proposed to the client.

Market Orders

When CEB NV receives a market order, where the bank is making decisions as to how the order is executed, e.g. where CEB NV is 'working the order' on the client's behalf, the bank always owes best execution. Market Orders are generally executed at the best price available in the market through or outside a trading venue, on a riskless principal basis. There can be seldom instances, where CEB NV executes the market order in Principal capacity. In these cases, CEB NV has to ensure that it shall check the fairness of the price proposed to the client and that there is no conflict of interest.

Orders for New Issues

CEB NV does not act as a book runner for new Bond issues. On the other hand, where a client has an interest to buy a new issue in primary markets, CEB NV can leave an order to the book runner(s) on its client's behalf. In these instances, multiple client orders and in some cases orders for CEB NVs own account might need to be aggregated. For client orders aggregated with transactions on own account by CEB NV that have only been partially executed, allocations are distributed on pro-rata basis, however generally priority in allocation will be given to the client's real interest and this will be done in a manner that is not detrimental to the client.

Specific Instructions

If the client provides specific instructions in relation to any aspect of the carrying of a client order (for example, where the client instructs CEB NV to execute the order on a particular venue, at a particular time or at a particular price), or otherwise selects specific parameters of the transaction, then CEB NV will execute the transaction in accordance with these instructions or parameters and it will not have discretion in respect of how (that aspect of) the order is executed. As a result, by following a specific instruction from the client, CEB NV will have satisfied the obligation to provide the client with best execution in relation to that order. It is noted that if a specific instruction is provided by the client, this may prevent CEB NV from following some or all of the steps in this Policy that are designed to obtain the best possible result for the execution of orders.

Execution Factors

The relative importance of the Execution Factors is determined on a trade-by-trade basis. Generally price is the most important Execution Factor. For orders of larger sizes other Execution Factors such as the likelihood of execution, market impact and speed of execution might be more important than price.

Monitoring

CEB NV will benchmark the execution price against external or internal reference prices. Wherever possible, we will use external prices, from reputable market data vendors, to compare the quote offered by CEB NV against market prices. Where external data is unavailable or limited in scope or quality, internal reference price data may be used.