

Appendix 3 - OTC Derivatives Execution Arrangements

This appendix sets out the approach to best execution when handling transactions in Foreign Exchange derivatives, rate derivatives, financial derivatives and commodity derivatives (together OTC Derivatives). It is an appendix to CEB NV's Best Execution Policy.

CEB NV may trade with clients in a range of OTC Derivatives as defined in Treasury Products Guidelines. When effecting execution of orders, or quoting in response to an RFQ in OTC Derivatives, CEB NV will in general be acting in a principal capacity.

RFQ-based transactions

These are bilateral derivative contracts negotiated on a case by case base according to a request for quote from the client. In almost all cases, subject to this Policy, these transactions are executed outside of a Trading Venue whereby CEB NV trades as principal with clients deciding whether or not to accept the price quoted. It will depend on the criteria set out in paragraph 2.2 of this Policy, whether and to what extent a duty of best execution is owed to the client.

Market Orders

When CEB NV receives an 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. In these cases, CEB NV will still act as a principal to the trade with the client, and will ensure the transaction was executed at the best price available to CEB NV in the market plus a pre-agreed commission.

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.

Executing Factors

For both Non-professional and Professional clients, total consideration of price and cost are the determining executing factors.

Monitoring

Where the duty to provide best execution applies in accordance with this Policy, CEB NV is required to check the fairness of the price proposed to the client when executing orders or taking decisions to deal in OTC products, including bespoke products, by gathering market data used in the estimation of the price of such products and, where possible, by comparing with similar or comparable products.

As a result, CEB NV will benchmark the proposed 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.