



# The order execution policy of KBC Bank NV

## Information document

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### INFORMATION DOCUMENT CONCERNING THE ORDER EXECUTION POLICY OF KBC BANK NV

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## A. PROVISIONS COMMON TO ALL ORDERS RELATIVE TO FINANCIAL INSTRUMENTS

### 1. Context

#### 1.1. Purpose of this document

KBC Bank has a policy on the execution of orders enabling it to consistently attain the best possible result for its clients' orders. In conjunction with this, KBC Bank implements rules contained in the European Markets in Financial Instruments Directive (MiFID) and the provisions by which those European rules have been transposed into Belgian law.

The order execution policy applies to both retail and professional clients. It does not apply to clients categorised as eligible counterparties.

In this information document, clients will find the essential information concerning the order execution policy of KBC Bank.

#### 1.2. What is Best Execution?

Executing orders under the conditions that favour the client the most is what is known as 'best execution'. This does not mean that the best possible result has to be achieved in each individual case, but it does mean that KBC Bank has and applies a policy to consistently strive for the best possible result for its clients' orders.

KBC Bank takes adequate measures to achieve this, lays down effective rules and upholds them.

With regard to the execution of an order, various factors are of relevance, such as price, cost, speed, likelihood of execution, and settlement, size and nature of the order. To determine what the best possible result is, KBC Bank proceeds on the basis of the total consideration that the client has to pay, meaning that the price of the financial instrument and the costs of execution are the decisive factors. The other factors will only take priority insofar as they contribute to a better overall consideration.

This procedure applies to all financial instruments that fall within the scope of application of the MiFID rules.

#### 1.3. Difference between KBC Bank executing orders itself and submitting orders to others

KBC Bank executes some orders itself and submits some orders to another party, or 'Broker', for execution.

The best execution obligation is interpreted differently in the two cases.

- If KBC Bank executes orders itself, KBC Bank selects the Execution Venue taking into account the relevant factors as set out in 1.2. However, if the financial instrument can be traded on just one Trading Platform, KBC Bank complies with its best execution obligation by executing the order on that Trading Platform. If the financial instrument can be traded on two or more Trading Platforms, KBC Bank can still opt to include a single Trading Platform in its policy if it reasonably expects that that Trading Platform will at least consistently deliver results as good as those that it can reasonably expect from other Trading Platforms. Annex 2 contains a list of the most important Execution Venues. KBC Bank may use an Execution Venue that is not included in the order execution policy, for instance when executing an order for a financial instrument in which KBC Bank does not usually deal.
- If KBC Bank forwards orders to a Broker for execution it need not itself select the Execution Venue at which the Broker is to execute the order. KBC Bank does, however, select the Broker taking into account the relevant factors as set out in 1.2. KBC Bank also examines whether the Broker is subject to the MiFID rules for the execution of orders and is able to demonstrate that it provides a high quality of execution for the type of orders that may be passed on by KBC Bank to the Broker. Among other things, KBC Bank takes account of the quality of the technology used by the Broker, their know-how and market knowledge, the markets that they offer, the quality of reporting, their connection to settlement platforms and their reliability. KBC Bank evaluates Brokers regularly. KBC Bank can also select a single Broker if it can ensure consistent achievement of the best possible result. Consequently, KBC Bank can reasonably expect that that one Broker will produce results that are as good as those that KBC Bank can reasonably expect from other Brokers. KBC Bank deals only with the Broker, KBC Securities.

#### 1.4. Specific client instructions

If the client gives a specific instruction, KBC Bank executes the specific instruction. In this information document, clients will find the instructions that KBC Bank regards as specific instructions.

It is possible that a specific instruction might not allow

KBC Bank to take all steps for execution of those orders and with respect to the aspects to which the specific instruction relates that it has set down in its order execution policy for consistently achieving the best possible result.

#### 2. Supervision, revision and amendments

KBC Bank monitors the effectiveness of its order execution regulations and policy in order to identify possible shortcomings and, where necessary, to rectify them.

KBC Bank reviews its order execution regulations and policy at least once a year and any time there is a major change having an effect on the possibility of consistently achieving the best possible result for its clients' orders.

KBC Bank will adjust this information document if there are material changes in the order execution regulations or policy. Clients may obtain a copy of this information document from any KBC branch.

The document is also available on KBC Bank's website ([www.kbc.be](http://www.kbc.be)).

#### 3. Consent

##### 3.1. Concurrence with the order execution policy

By placing an order with KBC Bank, clients declare that they agree with KBC Bank's order execution policy.

##### 3.2. Consent for execution of orders other than on a trading platform

KBC Bank's order execution policy provides for the possibility that it can execute orders other than on a Trading Platform where this is permitted by law. If it does so, counterparty exposure can arise due to the order not being executed through the offices of a central counterparty. Clients give their express authorisation in this regard.

#### 4. Further information and contact details

More information concerning the execution of a specific order or generally concerning financial products, the execution of orders, the best execution policy, order types, etc., can be requested. The bank's clients can initiate such requests through their branch.

#### B. ORDERS FOR SHARES AND FINANCIAL INSTRUMENTS INCLUDED THEREIN

##### 5. Scope

In this part of the information document, clients find essential information on the execution of orders for shares and other financial instruments that, under the order execution policy, are treated the same way as shares. Those other financial instruments include listed structured products including leveraged stock certificates (like turbos and sprinters) plus exchange traded notes (ETNs), exchange traded funds (ETFs), units in real estate closed-end funds, rights to shares such as American depository receipts (ADRs) or global depository receipts (GDRs).

Whenever reference is made to the word 'shares' in this information document, the provisions also apply to other financial instruments.

##### 6. KBC Bank's procedure

###### 6.1. General procedure

KBC Bank passes the client's shares order to its Broker, KBC Securities. In the choice by KBC Bank to pass these orders to KBC Securities and not to execute them itself, the total consideration charged to the client is the sole decisive factor.

KBC Bank trusts KBC Securities and its order execution policy to consistently achieve the best possible result for its clients. That means that KBC Securities determines whether it executes the order itself or in turn passes it on to another Broker.

If the size of the order could disrupt the market, KBC Securities will take appropriate measures.

###### 6.2. Orders with a specific instruction regarding the Trading Platform

The client can instruct KBC Bank to execute the order on a specific Trading Platform. The Trading Platforms that the client can choose are limited (e.g. U.S. shares). Per order, the client receives information on the possibility of choosing a Trading Platform.

## 7. Types of orders<sup>1</sup>

### 7.1. Market orders

Market orders are orders that are executed at the next following price on the market regardless of the level of that price. Part-executions at different prices are therefore possible.

The price at which the market order is executed can differ greatly from the last known price at the time when the client gives the market order. Market orders thus offer the client no certainty as to the price at which the order is executed. However, execution of the order is still more likely than if the client issues a specific instruction regarding the price.

### 7.2. Orders with a specific instruction regarding price

The client can give KBC Bank the following specific instructions regarding price. KBC Bank passes the specific instruction to its Broker, KBC Securities, together with the order. For this sort of specific instruction, KBC Securities may not take all steps that it has laid down in its order execution policy for consistently achieving the best possible result.

#### 7.2.1. Limit orders

Clients are able to issue limit orders, which means that they set the maximum purchase price or minimum selling price. Limit orders are therefore executed at a specific limit or better.

Limit orders offer clients more certainty about the price at which the order is executed, but the price has to reach the limit and the order has to come within the useful range in the order book in order to be executed. For this reason, a limit order is less likely to be executed than a market order.

KBC Securities or the other Broker to which KBC Securities passes the order in accordance with its order execution policy makes public a limit order that is not immediately executable (a 'passive limit order') by entering the limit order on the Regulated Market. If the price reaches the limit, the order can be executed on a Regulated Market, an MTF or an SI. The order can also be executed OTC.

#### 7.2.2. Stop Loss orders

Clients can give a stop loss order, in which the client fixes the trigger price. The order is only entered once the trigger price is reached. Once the trigger price is reached or exceeded, a stop loss order is entered as a market order.

#### 7.2.3. Stop limit orders

Clients can give stop limit orders. In that case, the client determines up front the trigger price and maximum purchase price or minimum sale price. The order is only entered once the trigger price is reached. Once the trigger price is reached or exceeded, a stop limit order becomes a limit order. Limit orders are executed at a specific limit or better.

## 8. Validity of orders (2)

Market orders are only valid on the trading day and day +1 on which the order is entered. Once the Trading Platform closes, the order automatically lapses if it has not yet been executed.

Limit orders, stop loss orders and stop limit orders are valid for six months unless otherwise provided in the rules of the relevant Execution Venue. Clients can issue specific instructions stipulating a shorter validity period. Giving specific instructions regarding validity does not affect the steps that KBC Bank's Broker (KBC Securities) takes to achieve the best possible result.

## 9. Share orders placed using KBC Esop Online in the context of the cashless exercise of stock options relating to stock option plans for shares of the employer (or group)

Unless otherwise agreed between the bank, the stock option holders or the employer, the following provisions apply:

- In the context of the cashless exercise of employer stock options, share orders submitted during the opening hours of the regulated market will be executed at the next market price, regardless of the level of that price.
- In the context of the cashless exercise of employer stock options, share orders submitted outside the opening hours of the regulated market will be executed when the regulated market opens again after the order is placed.
- The price at which the order is executed can differ significantly from the last known price at the time you submit the order. Therefore, you can never be certain of the price at which the order is executed.
- It is not possible to place a limit order.

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<sup>1</sup> Insofar as KBC Bank's Broker (KBC Securities) allows this type of order for the relevant share.

## C. ORDERS IN DEBT INSTRUMENTS

### 1. Ambit

In this part of the information document, clients find essential information about the execution of orders for debt instruments. These include bonds, government bonds and structured debt instruments.

### 2. KBC Bank's procedure

#### 2.1. General procedure for orders for bonds from retail clients

The total consideration charged to the client is the decisive factor in determining where and how the order is to be executed.

KBC Bank executes orders in bonds from retail clients on a multilateral trading facility (MTF) operated by Bloomberg (known as the BB venue) and Euronext (Brussels, Amsterdam, Paris). KBC Bank chooses these venues as execution venues because Euronext will provide firm bid and offer prices as well as a market depth when available and the BB venue usually has multiple parties quoting bid and ask prices (whether on an ongoing basis or not). In addition, Bloomberg provides a system that enables professional parties to display and act on indicative bid and ask prices. This system is called ALL QUOTES (ALLQ). KBC Bank can be one of those parties on the venues.

Since most of the time multiple prices are available on ALLQ, the BB venue will offer the highest liquidity. This has a favourable effect on the price and the speed at which the order can be executed, but offers no guarantee of high liquidity, or indeed of any liquidity, for every bond on the BB venue.

Euronext is the world leader in bond listing and offers the largest instrument universe across markets. KBC Bank can send retail orders for execution via Euronext (Brussels, Amsterdam and Paris) when (at least) the nominal amount of the bond order is being quoted on the venue.

KBC Bank uses Bloomberg's Smart Order Router system, in case it estimates that the instrument is sufficiently liquid, to ensure that the best possible result is consistently obtained. This Smart Order Router can send the bond order to the different platforms and select the platform where the best price is offered. If the bond order is sent for execution to Euronext, it is possible that partial executions will take place. In case the order is executed via the BB venue, it can only be executed in full.

If the Smart Order Router sends the order to the BB venue, it compares the indicative prices in ALLQ and invites different counterparties to quote an executable price. The counterparties respond to the invitation by providing or not providing an executable price. The Smart Order Router selects the counterparty that provides the best executable price at that time.

In this case, execution rules based on the type of issuer/type of bond will determine how many counterparties will be contacted and within which time frame they have to respond (the rules below are only applicable for orders executed on the BB venue):

1. KBC IFIMA S.A. bonds (bonds issued by issuer KBC IFIMA S.A., which are primarily placed with clients of KBC Bank, CBC Banque and KBC Securities)
  - a) Parties: 1
  - b) Maximum Time Limit: 10 seconds
  - c) Minimum number of response (parties) : 1
2. Government bonds (excluding state notes)
  - a) Parties: 5
  - b) Maximum Time Limit: 30 seconds
  - c) Minimum number of response (parties) : 4
3. Corporate bonds publicly issued and primarily placed by, amongst others, KBC Bank and/or CBCBanque.
  - a) Parties: 3
  - b) Maximum Time Limit: 30 seconds
  - c) Minimum number of response (parties) : 3
4. Other corporate bonds
  - a) Parties: 6
  - b) Maximum Time Limit: 45 seconds
  - c) Minimum number of response (parties) : 4

Depending on market circumstances, the number of parties and/or the maximum time limits can be adjusted.

If there are fewer quoting parties than indicated above, the order will be executed at the best available price taking in consideration a minimum number of responses. Orders that do not meet the minimum number of responses within the prescribed time limit, will be resubmitted. This will be done via a manual intervention by KBC Bank (see 2.3.4 below).

#### 2.2. General procedure for orders for bonds from professional clients

The total consideration charged to the client is the decisive factor in determining where and how the order is to be executed.

KBC Bank executes orders in bonds from professional clients on the BB venue, or OTC, depending on the arrangement made with the counterparty. KBC Bank chooses the BB venue as the Execution Venue because it usually has multiple parties quoting bid and ask prices whether on an ongoing basis or not. This is done via ALLQ. The BB venue and ALLQ are used for the reasons listed in 2.1.

For orders from professional clients, KBC Bank uses ALLQ to compare prices. For these orders, however, KBC Bank does not use Bloomberg's Smart Order Router, but compares itself the prices that are available in ALLQ. Depending on the number of quoting parties and the depth of the market, KBC Bank will either set the price itself based on the available information, or first invite different counterparties to submit a quote. In the second case, the counterparties respond to the invitation by quoting a price and KBC Bank selects the counterparty that offers the best price at that time.

### **2.3. Exceptions to the general procedure**

#### **2.3.1. Orders in state notes**

KBC Bank forwards orders in state notes to its Broker, KBC Securities. KBC Securities executes these orders via the Regulated Market, Euronext Brussels.

#### **2.3.2. Orders in structured debt instruments**

- a) Orders in structured debt instruments issued by a KBC-group entity – index-linked debt instruments, CMS, money market rates and currencies.

KBC Bank will execute orders in structured debt instruments issued by a KBC-group entity, via the BB venue. In Bloomberg's ALLQ system, there will, in principle, be fewer parties that display a price for this type of products, so there is only a limited number of counterparties from which KBC Bank can request a quote. Often only KBC Bank will set a price.

- b) Orders in structured debt instruments not issued by the KBC group – index-linked debt instruments, CMS, money market rates and currencies

KBC Bank will execute orders in structured debt instruments issued by an entity that is not part of the KBC group, on the BB venue. This is, however, only possible if indicative bid and ask prices are displayed in ALLQ and executable prices are set by the contacted counterparties. KBC Bank may refuse any other orders or execute them OTC acting as counterparty for the client. In that case, KBC Bank deals with one specific Market Maker (i.e. the counterparty where the structure was issued). There is minimum transparency in this market segment, and each order is therefore followed up individually. These orders are not always executed immediately (this depends on the execution procedures of the Market Maker concerned).

#### **2.3.3. Transactions at an agreed-upon price**

In this case, the client gives a market order, subject to validation by the client, whereby KBC Bank manually invites one or more counterparties to quote a price. The

counterparties respond to the invitation by setting a price. KBC Bank will propose to the client the best price obtained from the contacted counterparties. The client's agreement with the proposed price must be confirmed immediately. In the absence of a confirmation, the order is cancelled. After confirmation, the order is generally executed via the BB venue at the agreed-upon price. The order can also be executed OTC. Transactions at an agreed-upon price can however never be executed via Euronext.

This exception to the general procedure is only possible for major orders. Clients can enquire with their KBC branch as to whether this procedure can be used for their order. Clients can never require KBC Bank to use this procedure.

This procedure implies a specific client instruction. As a result, KBC Bank may not be able to take all steps to consistently obtain the best possible result.

#### **2.3.4. Manual intervention by KBC Bank in exceptional circumstances**

KBC Bank may decide, at its discretion, to apply the same procedure for orders from retail clients as for orders from professional clients. This means that KBC Bank does not use Bloomberg's Smart Order Router, but compares itself the available prices in ALLQ. Depending on the number of quoting parties and the depth of the market, KBC Bank will either set the price itself based on the available information, or first invite different counterparties to submit a quote. In the second case, the counterparties respond to the invitation by quoting a price and KBC Bank selects the counterparty that offers the best price at that time. The order is generally executed on the BB venue. The order can also be executed OTC.

KBC Bank can do so in exceptional circumstances, for example when there is a lack of liquidity, when there is volatility due to political, economic or social events or the publication of economic figures, or when there is adverse reporting on the creditworthiness of an issuer of debt instruments. In such cases, the risk exists that the general procedure results in an order execution at a bad price. In that case, manual intervention by KBC Bank is indicated.

## **3. Types of orders**

### **3.1. Market orders**

Market orders are orders that are executed at the market price regardless of the level of that price. Partial executions at different prices are therefore possible, in case the order is executed on Euronext.



Clients do not need to give a specific instruction, except for the procedure governing transactions at an agreed-upon price.

The price at which the market order is executed can differ from the indicative price at the time when the client gives the market order. Market orders thus offer the client no certainty as to the price at which the order is executed. However, execution of the order is still more likely than if the client issues a limit order.

### 3.2. Limit orders

Clients are able to issue limit orders, which means that they set the maximum purchase price or minimum selling price. Limit orders are therefore executed at a specific limit or better.

Limit orders offer clients more certainty about the price at which the order is executed, but the price has to reach the limit for the order to be executed. For this reason, a limit order is less likely to be executed than a market order.

Limit orders imply a specific instruction regarding price. As a result, KBC Bank may not be able to take all steps to consistently obtain the best possible result.

As is the case for market orders, partial executions at different prices are also possible for limit orders in case the order is executed on Euronext, as long as these prices stay within the limit price of the order.

## 4. Validity of orders

Market orders are valid until the end of the working day after the trading day of the entry of the order. From 17:30 there is a high risk of reduced liquidity on the BBvenue.

Limit orders are valid for six months unless otherwise provided in the rules of the relevant Execution Venue. Clients can issue specific instructions stipulating a shorter validity period. Giving specific instructions regarding validity does not affect the steps that KBC Bank's Broker (KBC Securities) takes to achieve the best possible result.

## D. ORDERS FOR UNITS IN UCIS

KBC Bank will always transmit orders for units in UCIs managed by a KBC-group company to the Transfer Agent for the relevant UCI.

For units in UCIs managed by third parties, KBC Bank will transmit orders directly or indirectly to the relevant Transfer Agent. This ensures a price that reflects the

economic value of the investment and generally keeps costs to a minimum.

Each UCI has a cut-off time that is determined on the basis of the official cut-off time appearing in the prospectus and the technical possibilities of placing the order with the Transfer Agent or correspondent before that official cut-off time. Orders received after the cut-off time will be deemed to have been received on the next day on which units of the UCI concerned may be traded.

## E. ORDERS FOR HEDGING PRODUCTS

### 1. Pricing for foreign exchangederivatives

#### 1.1. FX Swaps

The FX Swap price, also called the swap pips, is the price for the interest rate difference for a currency pair for the given tenor.

An FX Swap is priced on the basis of a weighted average of prices ('blended price') gathered from a selection of at least five independent price feeds from leading internationally recognised providers. This blended price is the result of selected feeds which have been considered by KBC as providing the best market prices at any given time. The selection of those feeds is subject to a continuous internal.

The quoted price towards the client is composed of the blended price and a sales margin.

#### 1.2. FX Forwards

An FX Forward are priced on the basis of an FX Spot price and an FX Swap price.

The FX Spot price is obtained from different external systems. These systems extract on a real-time basis the best price for available currency pairs from at least seven monobank platforms. The selection of a best aggregated price ensures market conformity.

A spread can be added to this FX Spot price. This spread will mainly take into account the following aspects:

- The nature and the characteristics of the transaction
- The size/volume of the transaction
- The time of receipt of the transaction
- Volatility of the market

Together, the FX Spot price and the FX Swap price form the FX forward price.

The quoted price for the client is comprised of the FX Forward price and a sales margin.

### 1.3. Types of orders

In the case of FX Swaps and FX Forwards, KBC may accept orders to deal in a specific way regarding the price, as per the client instruction. Our regulatory duty of best execution in these circumstances will be affected by the specifics of the order and the instructions to KBC.

#### a. Take profit orders

Clients are able to issue take profit orders, which means that they set a purchase price below the current price level or a selling price above the current price level. Take profit orders are therefore executed at a specific limit or better.

Take profit orders offer clients more certainty about the price at which the order can be executed, but the price has to reach the limit in order to be executed.

#### b. Stop loss orders

Clients can give a stop loss order, in which the client fixes the trigger price. The order is triggered when the trigger price is hit, but the order will only be filled at the next available price. This means that, unlike take profit orders, the order can be filled at a price that is worse than the order price.

### 1.4. Validity of orders

A client can give a specific date and time as validity period for the order. If the order has not been executed by then, the order is cancelled.

If the client does not give a specific date and time as validity period, the order will always remain open until the order is executed or the client cancels the order. Giving specific instructions regarding validity does not affect the steps that KBC takes to achieve the best possible result.

### 1.5. FX Options

#### a. Plain Vanilla

For plain vanilla currency options or a combination of plain vanilla currency options, pricing is based on the relevant inputs as observed in the market, such as:

- the spot rate of the underlying currency pair
- the interest rates of the currencies

- the volatility of the currency pair

It is common practice on the financial markets to use these inputs for pricing currency options, and KBC undertakes to update these pricing inputs as often as judged necessary from major data providers in order to reflect the prevailing market conditions.

#### b. Exotic Options

For the so-called 'first generation exotic' currency hedging products (e.g., 'barriers') and the so-called 'second generation exotic' currency hedging products (e.g., Target Profit Forwards), KBC uses valuation models that are based on the same pricing inputs and as such ensure pricing is in line with the prevailing market conditions.

The quoted price for the client includes:

- a hedging cost: this is the cost KBC would incur if and when the market risks caused by the client transaction are hedged in the financial markets (mainly bid-offer spreads and transaction costs). This cost is subject to the level of market liquidity of the particular instrument.
- and a sales margin.

## 2. Pricing for Interest Rate Derivatives (IRD)

IRD are priced for clients on a 'request for quote' basis.

The requested instrument is quoted at an interbank mid-market rate to which the hedging cost and sales margin is added. The hedging cost is the cost KBC would incur if and when the market risks caused by the client transaction, are hedged in the financial markets (mainly bid-offer spreads and transaction costs). This cost is subject to the level of market liquidity of the particular instrument.

### 2.1. Interest Rate Swaps (IRS) and Cross Currency Interest Swaps (CCIRS)

IRS and CCIRS are priced (calculated) on a request for quote basis, using a licensed pricing tool.

The calculation is based on the relevant currencies' interest rate curves. The building blocks for these curves are gathered in real time from the most liquid MTFs (e.g., Tradeweb, Bloomberg) and OTFs (e.g., Interdealer Brokers such as TP ICAP). These execution venues cover all dealers/market makers relevant to the instrument.

Liquid instruments have the lowest hedging cost, whereas less liquid instruments have a higher hedging cost.

KBC deems the following instruments to be liquid: constant notional IRS and CCIRS in EUR, USD, GBP, JPY provided the following conditions are met:

- The trade start type is spot and the tenor is not a broken date
- The notional size is standard to the instrument
- The quote occurs during normal market hours and during normal market functioning

IRS and CCIRS which are tailor-made and more complex (variable notional, forward start, broken dates, etc.) are considered to be less liquid and have a higher hedging cost.

IRS and CCIRS in other currencies than the above are also less liquid.

## 2.2. Interest Rate Options (IRO)

IRO are priced (calculated) on a request for quote basis, using a licensed pricing tool.

The calculation is based on the relevant currencies' interest rate curves and volatility surfaces. The building blocks for these curves are gathered in real time from the most liquid MTFs (e.g., Tradeweb, Bloomberg) and OTFs (e.g., Interdealer Brokers such as TP ICAP). The inputs for the volatility surfaces are gathered on a regular basis from interdealer broker screens available on Reuters and Bloomberg.

Liquid instruments have the lowest hedging cost, whereas less liquid instruments have a higher hedging cost.

IRO which are tailor-made and more complex (variable notional, forward start, broken dates, etc.) are considered to be less liquid and have a higher hedging cost.

## 3. Pricing for OTC Equity Derivatives

ED are priced for clients on a 'request for quote' basis. The requested instrument is quoted at a mid-market rate to which the hedging cost and sales margin is added. The hedging cost is the cost KBC would incur if and when the market risks caused by the client transaction, are hedged in the financial markets (mainly bid-offer spreads and transaction costs). This cost is subject to the level of market liquidity of the particular instrument. ED structures are also quotes where the underlying parameters are not readily available. The mid-market rate for such structures is based on in-house developed methodologies.

ED are priced (calculated) on a request for quote basis, using a licensed pricing tool. The calculation is based on the relevant share, index or ETF's price, also taking into account the volatility surfaces and dividend - and interest rate curves. The building blocks for these curves are gathered in real time from the most liquid MTFs (e.g., Tradeweb, Bloomberg) and OTFs (e.g., Interdealer Brokers such as TP ICAP). The inputs for the volatility surfaces and dividends are gathered on a regular basis from interdealer broker screens available on Reuters and Bloomberg as well as quotes from the relevant regulated markets.

Liquid instruments have the lowest hedging cost, whereas less liquid instruments have a higher hedging cost. ED which are tailor-made and/or more complex are considered to be less liquid and have a higher hedging cost.

## 4. Pricing for OTC Commodity Derivatives

The requisite procedures are in place to ensure that the prices offered for these products are accurate and reflect the prevailing market conditions. Commodity derivatives are covered on back-to-back basis, when for all quotations, 2-3 external prices from the most competitive external market makers are considered prior to quoting the client price. Some of these external counterparties are providing prices via commodity trading e-platforms (such as Marquee, Cortex, etc.), allowing to monitor pricing consistency. Furthermore, all commodity related transactions are revaluated internally, using own in-house pricing models, which allows to assess external prices' quality.

## F. ORDERS IN LISTED DERIVATIVES

In Europe, listed derivatives (mainly options and futures) are specific financial instruments that can be traded on just one trading platform, even though they may be based on exactly the same underlying asset and have the same characteristics and contract conditions as other financial instruments.

Execution will be assured on the available trading platform. KBC Securities Services transmits such orders to the main Broker for execution.

In the US, these types of derivative are transmitted to a Broker who uses an application to select the best execution at that time. This application is screened on a regular basis by KBC Securities.

## G. ORDERS IN TOP WARRANT PLANS

### 1. KBC Top Warrant Plan

This section of the document provides essential information on the execution of orders for warrants as part of a Top Warrant Plan.

Warrant plans are set up by an employer in collaboration with KBC Bank as a means of diversification for bonus payments. Where warrants are exercised at the exercise price set on the date of offer, in the event of a 'sell' order the vested shares or units in a UCI, the applicable order execution policy explained above under "Orders for Shares", will apply. The order execution policy explained below, therefore only applies for orders placed to trade the warrants.

### 2. TOP Warrants

#### 2.1 Standard Sale of Top Warrants

If the employer has opted for settlement under the Top Warrants system, sell orders are settled as follows.

The price of the Top Warrants depends on stock market and other market movements and fluctuates throughout the day.

The price of the Top Warrants is determined and fixed twice on each trading day:

- Firstly at 9am using market data known at the time;
- Secondly at 12 noon, taking into account movements in the market data during the morning.

These prices are posted on the Esop Online website.

The sale is effected in the KBC Esop Online Tool where, which you will be able to access when the warrants are offered for sale.

Where orders are placed on trading days between 9am and 4pm, KBC Bank will settle the Top Warrants at the indicative price stated on the website at the time the orders are placed.

- Orders placed before 12 noon will be processed at the price fixed at 9am and posted on the website on the same trading day;
- Orders placed between 12 noon and 4pm will be processed at the price fixed at 12 noon of that trading day.

Orders received by KBC Bank after 4pm or on days other than trading days will be executed by the Bank on the next trading day at the price posted at 9am on that day.

In the event of significant market fluctuations, KBC Bank NV reserves the right to deviate from the price posted on the website. In particular, the following applies: in the event of intra-day fluctuations of two and a half (2.5) percent or more in the Eurostoxx 50 Index (which serves as a reference for the price of the warrants), the price published on the website is deemed to be indicative only and may be adjusted by KBC Bank.

#### 2.2 Limit orders for Top Warrants

After accepting Top Warrants, it is possible to set 'limit orders' for them. This means you enter a minimum price in the KBC Esop Online Tool for which you are prepared to sell the warrants.

A limit order can relate to the Top Warrants under the same KBC Top Warrant Plan.

Your limit order will be handled as follows:

- The limit order takes effect at the start of the exercise period
- The limit price you have set will be tested during the exercise period against the following prices of the warrants after your limit order has been placed. As explained above in section 2.1, these prices are set twice each trading day at 9am and at 12 noon.
- When the limit price is reached, your order will be settled at the posted warrant price
- Your limit order will remain in force for six months.

Limit orders offer you more certainty about the price at which the order will be executed, but the order will only be executed if the price reaches the limit you have set.

### 3. TOP END Warrants

If your employer opts for settlement under the Top End warrants scheme, standard sell orders will be settled as follows:

The price of Top End warrants depends on stock market and other market movements and fluctuates during the day.

A purely indicative price of Top End warrants will be posted on the Esop Online website at 9am on trading days.

This price is determined using the known market data from the previous trading day.

KBC Bank will settle Top End warrants on trading days at the following price:

- Orders placed between midnight am and 4pm will be processed at the price as posted at 9am on the next trading day after placement of the order
- Orders placed between 4pm and midnight will be processed at the price as posted at 9am on the second trading day after placement of the order.

Orders submitted on a day other than a trading day are deemed to have been placed on the next trading day after placement of the order before 4pm. Orders will be processed at the price as posted at 9am on the following trading day.

Limit orders cannot be submitted for Top End Warrants

## H. SECURITIES FINANCING TRANSACTIONS

When clients approach KBC Bank for the purposes of entering into repo or reverse repo transactions, each request is bespoke and tailored to the specific requirements of the client. KBC Bank will consider the prevailing market conditions, the credit quality of the client or any other relevant factors as deemed necessary prior to providing the client with a quote. The client is free to accept this quote or not. In relation to the circumstances described above, in each case KBC Bank acts only as counterparty.

## I. ORDERS IN SAVINGS CERTIFICATES/CERTIFICATES/SUBORDINATED CERTIFICATES

For the trading of Savings Certificates/Certificates/Subordinated Certificates, KBC Bank refers to the KBC Term Investment Regulations.

KBC Savings Certificates and KBC Certificates that are presented to KBC Bank before maturity may be redeemed early, wholly or partially, by KBC Bank.

The holder does not, however, have a buyback guarantee.

KBC Bank cannot redeem Subordinated KBC Certificates early. They can only be sold via the Expert Market. KBC Bank passes the sell order to KBC Securities.

KBC Bank passes orders for savings certificates issued by OFIs (other financial institutions) on to KBC Securities.

KBC Securities will present the OFI savings certificates that the customer wishes to sell directly to the OFI for early redemption. However, the holder does not benefit from a redemption guarantee.

Subordinated OFI savings certificates can only be offered for sale via the Expert Market.

## ANNEXES

- Glossary
- Execution venues for listed derivatives and Transfer Agents for UCIs

## ANNEX 1 – GLOSSARY

- **Broker:** the financial institution to which orders are passed with the aim that the investment firm or bank should execute the orders.
- **CMS:** 'constant maturity swap', an interbank reference rate for a fixed-for-floating swap in a specified currency for a specified term.
- **Regulated Market:** a system (market) that brings together or facilitates the bringing together of multiple (multilateral) buying and selling interests in financial instruments – in accordance with non-discretionary rules – in a way that results in a contract, as defined in MiFID.
- **Trading Platform:** a Regulated Market, MTF or OTF.
- **ICB:** undertaking for collective investment, more commonly referred to as a 'fund'.
- **KBC Securities:** the broking company, KBC Securities NV.
- **Market Maker:** an operator that stands ready to trade on the financial markets on its own account and using its own resources at quoted bid and ask prices.
- **MiFID:** Directive 2014/65/EU on markets in financial instruments (also called MiFID II, because it supersedes the previous MiFID Directive 2004/39/EC of 21 April 2004).
- **MTF:** 'multilateral trading facility', a system (market) which is not a Regulated Market and which brings together multiple (multilateral) buying and selling interests in financial instruments – in accordance with non-discretionary rules – in a way that results in a contract, as defined in MiFID.
- **Expert Market:** an MTF organised by Euronext Brussels on which illiquid securities are traded through an auction system.
- **OTC:** Over The Counter, i.e. not on a Regulated Market or MTF.
- **OTF:** 'organised trading facility', a multilateral system which is not a Regulated Market or MTF and in which multiple third-party buying and selling interests in bonds, structured financial products, issue rights and derivatives are able to interact in the system in a way that results in a contract.
- **Execution Venue:** any place within the scope of the services provided by KBC Bank where an order in a

financial instrument can be executed, including Trading Platforms, SIs, Market Makers or other liquidity providers or an entity in a non-EEA (European Economic Area) country that performs a role similar to one of the aforementioned parties.

- **SI:** 'systematic internaliser', any investment firm or bank with a licence to execute client orders in-house on a systematic basis, i.e. acting (on its own account) as counterparty for buying and selling outside a Regulated Market or MTF, as defined in MiFID.
- **Transfer Agent:** administrator that is appointed by a fund and is responsible for settling orders in its units.

## ANNEX 2 – MAIN EXECUTION VENUES USED BY KBC BANK

List of the main Execution Venues and Transfer Agents used by KBC Bank to comply with its obligation to take all reasonable steps to consistently obtain the best possible result:

### 1. BONDS

All debt instruments (excluding state notes): the BB venue

### 2. OPEN-ENDED AND CLOSED-ENDED UCIs

TYPE OF FUND	TRANSFER AGENT
Belgian KBC funds	KBC Asset Management
Luxembourg KBC funds	BBH
Irish KBC funds	BBH
Non-KBC funds	Possibly directly to the Transfer Agent (principal platforms: Vestima, Fundsettle)

## I. ORDER EXECUTION POLICY – SUMMARY WITH FOCUS ON OVERALL COST

### BACKGROUND

The purpose of this document is to inform the reader about the costs due when orders are executed by the bank. It draws on relevant parts of the 'Information document concerning the order execution policy of KBC Bank NV', which it combines with details of costs borne by clients.

### 1. PROVISIONS COMMON TO ALL ORDERS FOR FINANCIAL INSTRUMENTS

To determine what the best possible result is, KBC Bank proceeds on the basis of the total consideration that the client has to pay (the 'total consideration'). That means that the price of the financial instrument and the costs of execution are the prime elements.

In the case of certain client instructions covered by the order execution policy, KBC Bank bills no additional charge (e.g., for choosing a given trading platform within the limitations laid down by KBC Bank, or for limit orders or stop loss orders).

The transaction fees due and the conditions for charging them are set down (and if need be reviewed) by KBC Bank. Clients can find relevant information in this regard in the 'Schedule of Investment-Related Fees' applying to the market segment that the client falls into. The schedule is available from any KBC branch or can be downloaded at [www.kbc.be](http://www.kbc.be).

### 2. SHARES AND FINANCIAL INSTRUMENTS INCORPORATED HEREIN

The fees for executing orders on the secondary market depend on the size of the order and the Execution Venue. KBC Bank draws a distinction between order execution on Euronext (Brussels, Amsterdam, Paris, Lisbon) and that on other Trading Platforms. The other Trading Platforms divide into two groups with different minimum rates, which are set down in the Schedule of Investment-Related Fees.

### 3. DEBT INSTRUMENTS

The fees for executing orders on the secondary market are set down in the Schedule of Investment-Related Fees. The same charges also apply when orders are executed OTC.

However, orders for state notes are executed via Euronext Brussels. These transactions are therefore charged at the rates set down under the heading for Euronext (Brussels, Amsterdam, Paris, Lisbon) in the Schedule of Investment-Related Fees.

Otherwise, how KBC Bank executes orders has no bearing on the charge.

### 4. UNITS IN UCIs

How KBC Bank executes orders has no bearing on the charge.

### 5. HEDGING PRODUCTS.

The fee comprises a margin charged by KBC Bank.

How KBC Bank executes orders has no bearing on the charge.

## 6. LISTED DERIVATIVES

Transaction charges are applied per contract and vary according to the Execution Venue and the amount of the premium.

## 7. SAVINGS/CERTIFICATES/SUBORDINATED CERTIFICATES

KBC Bank makes no charge for purchases of KBC Savings Certificates and KBC Certificates.

When subordinated certificates are sold via the Expert Market (previously the 'Open Auction'), it is the fee quoted under the heading for 'Euronext (Brussels, Amsterdam, Paris, Lisbon)' in the Schedule of Investment- Related Fees that is charged.