

September 2022

Amundi Deutschland GmbH has outsourced its trading activity to Amundi Intermediation<sup>1</sup>. Since 14<sup>th</sup> May 2018 trades are therefore executed by Amundi Intermediation. Amundi Deutschland GmbH refers to the below Selection and Execution Policy of Amundi Intermediation.

Amundi Deutschland GmbH performs controls of the mentioned outsourced trading activity.

## SELECTION AND EXECUTION POLICY

### SUBJECT:

This document describes the selection and execution policies and measures taken to obtain the best possible result in order execution when AMUNDI INTERMEDIATION provides the following services for a third party:

- Reception and Transmission of Orders (RTO)
- Order execution.

It also defines the measures taken to monitor the efficacy of provisions for order execution and the related policy, to detect any deficiencies and correct these if required.

## 1- Context and regulatory framework

AMUNDI INTERMEDIATION is an investment company authorised by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) to provide services involving order reception / transmission and order execution for third parties involving all financial instruments covered by Section C "Financial instruments" of Annex I of Directive 2014/65/EU.

### 1.1 Context

The Markets in Financial Instruments Directive (Directive 2014/65/EU, known as MiFID II) and regulation (MiFIR) aim to revise the MiFID directive and represent a major step forwards to take into account financial market developments, mainly designed to improve security, transparency and the functioning of financial markets and to reinforce protection of investors.

The requirement for best execution of orders, pursuant to MiFID, is an essential part of this and aims to promote both overall market efficiency and obtaining, at an individual level, the best possible result when an Investment Services Provider (ISP) acts on behalf of its clients. The MiFID II directive reinforces the obligation to obtain the best possible result when executing an order, requiring strengthened measures from authorised ISPs; it also provides for greater transparency

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<sup>1</sup> Amundi Intermédiation, a limited company (société anonyme), registered office at 90, boulevard Pasteur, 75015 Paris, Siren 352 020 200 Paris Trade and Companies Register (RCS Paris). Amundi Intermédiation is approved by the ACPR as an investment company, number 17273.

through publication of information about the five main intermediaries and the quality of execution obtained.

## 1.2 Reference texts

The new regulatory framework comprises:

- MiFID II directive: Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 – Art. 24 (1) and 27
- MiFIR regulation: Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 – Art. 26

The MiFIR regulation, alongside "level 2" texts in the form of delegated regulation or technical regulatory standards, are of direct application.

## 1.3 MiFID classification

AMUNDI INTERMEDIATION, when it acts in the name of and on behalf of its clients, has generally opted for the status of "**professional client**" in relation to its brokers and counterparties, in order to receive on their behalf a sufficient level of protection, particularly as regards execution quality for its orders.

## 1.4 General principles for best execution

The requirement for best execution is defined in Article 27(1) of the MiFID II directive as the obligation to "...take all sufficient steps to obtain, when executing orders, the best possible result for their clients...".

In line with this article, the best possible result is determined based on seven main categories of factors, "price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order".

If a client gives specific instructions when placing orders, the client is informed that AMUNDI INTERMEDIATION is released from the best endeavours obligation that results from application of this execution policy. If the client's instruction only concerns a part or aspect of the order, AMUNDI INTERMEDIATION is again subject to the best endeavours obligation for the part of the order that is not covered by the instruction.

# 2- Policy for selection of intermediaries

## 2.1 Selection objective & procedure

To obtain the best possible execution of orders, AMUNDI INTERMEDIATION has put in place a procedure for selecting brokers and counterparties, the "intermediaries". Selection of these intermediaries is carried out through an annual voting process based on an established method and relevant and objective criteria. It aims to draw up a list of intermediaries that are suitable

for the volume of orders handled by AMUNDI INTERMEDIATION and in view of general and/or specific needs in terms of service for its clients.

Due to their regulatory requirements, the intermediaries selected are obliged to offer the best possible execution when they provide investment services to AMUNDI INTERMEDIATION.

AMUNDI INTERMEDIATION transmits its orders directly to its intermediaries, i.e. access to request-for-quote platforms (e.g. FXAll, MarketAxess, Tradeweb, TSOX etc.)

## 2.2 Vote participants

Representatives of AMUNDI INTERMEDIATION's trading desks participate in the vote, after consulting support functions who are in regular contact with intermediaries (middle office, lawyers etc.)

As control bodies from a financial soundness and financial security (AML/CFT) perspectives, the Risk and Compliance departments respectively have a right of veto at Selection committees for brokers and counterparties, "Selection committee" (cf. 2.5).

## 2.3 Voting criteria for selection of intermediaries

The number of criteria remains limited to help obtain a coherent result, and will be adapted for each class of financial instruments (cf. Appendix I). Traders should use criteria, particularly:

- quality of business support
- quality of trading information
- quality of execution - access to trading venues - algorithm offer
- level of brokerage fees and prices obtained in relation to TCA (Transaction Cost Analysis)
- liquidity
- post-trade data such as:
  - hit ratios for traded instruments through Request for Quotes from liquidity suppliers
  - TCA reports that are either internal or external, enabling the price and brokerage fee levels obtained to be compared against benchmarks,

The voting results are presented to the Selection committee for approval.

## 2.4 CADRE list

Following the annual voting procedure, a master ("CADRE") list is drawn up, by type of instrument, of all the best-performing intermediaries for each type of financial instrument according to the criteria and methodologies described above.

The CADRE list aims to provide a global view centred on the main intermediaries chosen for all traded financial instruments. This selection aims to:

- obtain the best coverage of RTO or execution services for clients
- meet best execution objectives, be that at the level of brokerage fees or the quality of prices obtained

## 2.5 Selection committees

The CADRE list is presented by the head manager of AMUNDI INTERMEDIATION at the annual Selection committees chaired by the Chief Investment Officer of Amundi Intermédiation's client companies.

After reviewing the statistics on order volumes handled over the relevant period and presenting the vote result based on the predefined criteria (cf. 2.3), a proposed allocation of trading flows is presented to the Selection committees for approval. For instruments that are subject to brokerage fees, AMUNDI INTERMEDIATION will be able to concentrate orders at a small number of brokers in order to obtain the lowest possible brokerage execution fees while ensuring it benefits from good-quality services and meets regulatory requirements.

The list of the 5 main intermediaries selected and counterparties used for each type of financial instrument is published annually by AMUNDI INTERMEDIATION.

## 2.6 Intra-period events

AMUNDI INTERMEDIATION is responsible for the overall relationship with the selected intermediaries. It can suspend or review the objectives set by the Selection committees if an intermediary fails to meet its engagements or at the request of any stakeholder in the selection procedure, if there is a serious event and with the approval of Compliance.

Accreditation outside the Selection committees of a new intermediary: the latter must be approved in advance by the head manager of AMUNDI INTERMEDIATION and the Risk and Compliance departments.

These control bodies prohibit AMUNDI INTERMEDIATION at any time from working with one of the selected intermediaries if the latter presents a major risk (e.g. default risk) or will be subject to action (penalty, withdrawal of authorisation etc.) that could justify its removal from the list of selected intermediaries.

## 2.7 Associated policy and procedures

The measures and controls adopted by AMUNDI INTERMEDIATION to prevent and manage conflicts of interests include in particular an internal policy for managing conflicts of interests and framework procedures for order handling and intermediary selection, while ensuring that clients' best interests are upheld.

## 2.8 Selection policy review

All major changes in the services offered by the selected execution ISPs (substantial change in pricing, sudden deterioration in the execution facilities that may take various forms such as limitation on the scope of securities traded, discontinuation of access to a market, restructuring that could entail significant operational risks etc.) trigger a review of AMUNDI INTERMEDIATION's selection policy.

In the absence of internal or external events that require it to be re-examined during the year, AMUNDI INTERMEDIATION's selection policy is reviewed on an annual basis at the Selection committees. This review is formalised via the committee minutes.

If there are changes, the updated version will be directly accessible on the internet and constitutes notification by AMUNDI INTERMEDIATION of its clients.

## **3- Execution policy**

### **3.1 Scope of financial instruments covered**

All financial instruments covered by the MiFID II directive that are traded by intermediaries in the financial markets.

### **3.2 Scope of selected venues of execution**

AMUNDI INTERMEDIATION through its selection policy (cf. 2.1) has access to all trading venues that could provide best execution of orders.

Orders will be directed based on the best conditions for completion offered, to either Regulated Markets (RM), Swaps Execution Facilities, Multilateral Trading Facilities (MTF), Organised Trading Facilities (OTF), Systematic Internalisers (SI) or any service provider that could provide the best possible conditions in a bilateral (OTC) context.

The client expressly authorises AMUNDI INTERMEDIATION to execute an order outside a RM, MTF or OTF. However, the client can withdraw this authorisation at any time, on an occasional or definitive basis.

### **3.3 Execution criteria**

All measures are taken so that order execution takes place in the client's best interests and focuses on market integrity, taking into account stated criteria such as price, liquidity, speed, cost, etc. depending on their relative importance based on the various types of orders sent by the client.

The execution matrix by type of financial instrument (cf. Appendix 1) details the factors and execution criteria for each of these asset classes.

If AMUNDI INTERMEDIATION receives orders that are in the same direction, on the same terms and for the same value from its clients, it does not group them.

However, AMUNDI INTERMEDIATION may exceptionally group orders where clients' interests are upheld, in accordance with the conditions set out by the current regulations.

### **3.4 Arrangements of client orders transmission to Amundi Intermédiation**

To send their orders to AMUNDI INTERMEDIATION and in order to ensure traceability, clients can use:

- Either the "MCE" (electronic order book): a transmission tool for all types of instrument developed by AMUNDI INTERMEDIATION
- A remote MCE screen
- Their own systems for sending orders via a specialised link (e.g. FIX) to AMUNDI INTERMEDIATION's systems (MCE)

In the event of a malfunction that causes the order transmission system to be ineffective, AMUNDI INTERMEDIATION will notify its clients of the system failure and advise on the alternative measures in line with the current Business Continuity Plan.

### **3.5 Reports and statements**

The execution feedback is included in the MCE order transmission system once the order is finalised and immediately made available to the Middle Office, which then verifies the transaction confirmation sent by the intermediary.

### **3.6 Partial execution and aggregation**

In cases of partial execution or aggregation of orders, AMUNDI INTERMEDIATION, in accordance with the regulations in force, will allocate execution pro rata for the initial orders, sent by its clients, while adhering to any minimum shares per instrument. This allocation is done via an algorithm within the MCE.

### **3.7 Execution policy review**

In order to obtain the best possible result for its clients, AMUNDI INTERMEDIATION regularly re-examines the conditions and arrangements for execution of orders, particularly to take into account potential changes to the following criteria:

- Client categorisation
- Scope of financial instruments covered

- Access to platforms / trading venues
- Execution strategy
- Vote participants
- Vote criteria
- Intra-period events
- Level 1 or 2 controls

If no mid-year review is required by internal or external events, AMUNDI INTERMEDIATION's execution policy is reviewed on an annual basis at the Selection committees. This review is formalised via the committee minutes.

If there are changes, the updated version will be directly accessible on the internet and constitutes notification by AMUNDI INTERMEDIATION of its clients.

## 4 Regular monitoring & Controls & Review

### 4.1 Level 1 controls

AMUNDI INTERMEDIATION has a dedicated team that performs Level 1 controls on a daily basis and provides statistics on activity by intermediary that enable it to:

- continuously monitor volumes handled and therefore adherence to the objectives set by the Selection committees
- take any corrective measures required that enable the objectives set by the Selection committees to be met.

AMUNDI INTERMEDIATION has also put in place a TCA (transaction costs analysis) tool that enables it to carry out exhaustive checks on all orders traded, both directly and via intermediaries. These checks:

- are based on the difference between the execution price and the benchmark used according to the type of order (cf. Appendix I) for orders-directed markets (listed equities and derivatives).
- involve ensuring that the competition procedure has been correctly applied by asking various counterparties in order to obtain the best possible quotes for price-directed markets (bonds, money and OTC derivatives). To complement this, and in accordance with the MiFID II directive, analysis is performed on the difference between the execution price and a benchmark according to the type of instrument handled. For OTC or "personalised" products, AMUNDI INTERMEDIATION will have market data to estimate and verify the fairness of the price of the said product, and where possible, by comparing it with similar or comparable products.

If the monthly level 1 control detects any difference that exceeds the best execution thresholds, this must be justified by the trader in question. All these data are centralised in a database managed by the level 1 control team.

The deviation thresholds in relation to the execution benchmarks are reviewed on an annual basis.

AMUNDI INTERMEDIATION can also call on external service providers, according to the instruments, to evaluate the quality of service provided by the selected intermediaries.

## 4.2 Level 2 controls

Compliance Intermediation, via an annual control, ensures that AMUNDI INTERMEDIATION follows:

- the CADRE list
- volumes allocated by the Selection committees.

Compliance Intermediation, via a monthly control, checks at AMUNDI INTERMEDIATION:

- the comprehensiveness of the scope of level 1 controls
- the justification for all differences that exceed the best execution thresholds and exclusions
- adherence to the Request for Quote procedure and that exceptions to the procedure were duly justified.

AMUNDI INTERMEDIATION retains every stage of an order during a period of five years. Clients who are concerned, if they wish, can request for evidence of best execution.

## 4.3 Best Execution committee

A Best Execution committee is held on a quarterly basis with representatives of the trading desks and Compliance in order to:

- analyse the relevance of the execution deviation thresholds versus execution benchmarks in the light of market activity and developments
- ensure systematic adherence to the selection and execution policy
- define improvements if needed to the execution circuits identified as less well performing by the controls described above