

# ORDER EXECUTION POLICY

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# 1. Introduction

## Background

The transposition of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("MiFID II") revised the discipline introduced by Directive 2004/39/EC of 21 April 2004 ("MiFID I") (and both together ("MiFID")), in order to comply with the objectives of strengthening investor protection and transparency, determining that firms providing investment services, when executing Clients' orders, must adopt sufficient measures to obtain the best possible result for their Clients, taking into account different variables such as price, costs, speed, probability of execution and settlement, volume, nature or any other factor relevant to the execution of the order.

In this context, Banco BPI has, among other things, revised its Order Execution Policy, the basic principle of which remains the development of Banco BPI's best endeavours to ensure that orders received from Clients are executed under the best conditions, considering the variables described above.

Any specific instructions as to the treatment to be given to the submitted order transmitted by the Client may prevent Banco BPI from obtaining the best possible result, in accordance with the abovementioned execution policy.

Banco BPI has contracted the service of executing its clients' orders on securities (hereinafter referred to as "spot financial instruments") with CaixaBank, S.A. - Sucursal em Portugal.

Delegated Regulation 2017/565/EU also introduced the obligation for Banco BPI to provide Clients with information related to the quality of execution and respective execution measures and to publish, on an annual basis, for each class of financial instruments, appropriate information on the five main entities to which orders were transmitted or placed.

## Objectives

This document describes Banco BPI's Policy for the Execution of Orders on Financial Instruments (hereinafter the "Execution Policy" or "Policy") in the provision of services for the reception and transmission of orders and the execution of orders on behalf of its Clients on financial instruments.

This Policy is governed by the applicable legal provisions in force at any given time.

The Execution Policy will be permanently updated and is available for consultation at any Banco BPI branch and on the Banco BPI website Banco BPI.

The content of this Policy includes:

- - General principles governing order circuits for financial instruments at Banco BPI.
- Policy Update.

## 2. Scope of application

### Clients

This Policy applies to the relationship between Banco BPI and its Clients (Clients).

Banco BPI's Policy applies to Clients categorised by Banco BPI as "Retail" and "Professional" Clients, considering for this purpose the definition established in the Securities Code.

This Policy does not apply to Clients classified by Banco BPI as "Eligible Counterparties".

### Services

This Policy applies to the service of reception, transmission and execution of orders provided by Banco BPI on financial instruments, which occurs when:

- i. Banco BPI receives orders transmitted by its Clients and relays them to third parties for execution; or
- ii. Banco BPI receives orders transmitted by its Clients and executes them against its portfolio, acting as the Clients's counterparty.

In the case referred to in (i), Banco BPI subcontracted the services of CaixaBank, S.A. - Sucursal em Portugal, an entity authorised to provide the order execution service and to which it relays the orders mentioned therein.

### Financial instruments

The Policy applies to financial instruments identified as such in MiFID II ("Financial Instruments") and for which Banco BPI is authorised to provide and provides the services covered by this Policy.

Banco BPI may not provide its Clients with the service of receiving, transmitting and executing orders on all and each of the different Financial Instruments, so its Execution Policy will apply exclusively to the Financial Instruments for which Banco BPI provides this service at any given time.

In the case of orders relating to securities (shares, bonds, participation certificates, units in collective investment institutions, autonomous warrants, detached rights, exchange trade products ("ETFP") and others classified as such), hereinafter referred to as "spot financial instruments", the Bank relays the orders to CaixaBank, S.A. - Sucursal em Portugal.

In the case of orders relating to derivatives traded forward (such as options, futures, swaps, forward interest rate contracts and any other forward derivative contracts), hereinafter referred to as "forwards", Banco BPI executes them against its portfolio.

## Channels for receiving Clients orders

Banco BPI provides its Clients in general with the following channels for receiving orders relating to the Financial Instruments covered by this Policy:

- In-person channels of the Banco BPI network (Private Banking and Corporate Centres);
- Banco BPI's electronic channels (BPINet or any other electronic platform provided by Banco BPI);
- Banco BPI telephone channels equipped with voice recording systems;
- Other means equipped with recording systems, if specifically agreed with the Client, such as e-mail or specific financial chat (Bloomberg, Reuters, etc.).

The use of the above channels will depend on the type of Financial Instrument to which the order relates and the type of Client.

The use of telephone channels assumes the Client's acceptance that the conversation will be recorded. If the Client does not consent to the recording, Banco BPI will not be able to accept orders through this channel, and the Client must choose to transmit the respective instruction through any other type of available channel.

## Client-specific instructions

Any specific instruction provided by the Client regarding the order he/she wishes to place shall be considered 'specific instruction' from the Client, namely, the indication of the trading venue to which he/she wishes the order to be sent, the form of execution, characteristics relating to the price/quotation and the time of execution of the order on the market.

When the Client gives specific instructions to Banco BPI, Banco BPI shall use its best efforts to execute the order as instructed and to obtain the best possible result for the Client, provided that such instructions are compatible with the characteristics of the service provided by Banco BPI and with applicable law, and that compliance with such instructions may result in not obtaining the best possible result for the Client with regard to the elements affected by that instruction.

As mentioned above, the transmission of specific instructions relating to an order may limit the application of this Execution Policy in relation to that order. Notwithstanding the fact that specific instructions only refer to part of the elements of an order, the Execution Policy shall apply to the remaining elements of the order not affected by those specific instructions.

For illustrative purposes only, specific indications will be considered:

- The Client's express indication of the trading venue to which he/she wishes the order to be sent.
- The currency of the order as expressly indicated by the Client, in the case of financial instruments quoted in different currencies.

- Certain types of instructions, such as "stop-loss", which are executed according to the evolution of the price of the asset on a given market.
- Any type of execution strategy followed by the Client, including the deadline set by the Client for executing the order, the volume or percentage of volume to be executed in each session or the quote to be obtained upon execution.

Banco BPI will seek to obtain the best possible result for the Client in orders with specific instructions, in strict compliance with applicable law and, particularly, with the corresponding market regulations and applying, to the extent possible, the Policy for the order in question regarding the other characteristics not specified by the Client.

Banco BPI reserves the right not to accept orders with specific indications.

## **Record keeping**

Banco BPI records and archives (i) all electronic communications and/or telephone calls exchanged within the scope of the provision of the order reception, transmission and execution service, as well as (ii) relevant electronic communications and/or telephone calls that result, or are intended to result, in transactions, under the terms established by law and resulting from the provisions in Client Order Reception Channels.

The data collected will be archived in accordance with the legal retention periods, i.e. for a minimum period of five years (extendable by seven years when requested by the competent authority) and will be made available to the Client upon prior written request to Banco BPI.

### 3. Regulatory framework. Regulation and applicable law

This Policy is governed by the applicable law and regulations in force, as well as any updates or revocations that may occur in the future. Below is a non-exhaustive list of the laws and/or other documents that make up the regulatory context in which this Policy is framed:

- Securities Code, approved by Decree-Law 486/99 of 13 November, in its most current worded;
- Commission's Delegated Regulation 2017/565/EU of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and the concepts defined for the purposes of that Directive.





## 4. Order execution

### Execution under the best conditions

#### Spot financial instruments

For the execution of orders on spot financial instruments, Caixabank, S.A., through its branch in Portugal, was chosen by Banco BPI, bearing in mind that it is also subject to compliance with best execution policies under MiFID II, and that an analysis of this policy shows that it combines the necessary measures to ensure best execution conditions for Banco BPI's clients. This policy and the selection of the main execution venues and financial intermediaries can be accessed at:

<https://www.caixabank.es/particular/inversion/mifid.html>.

Banco BPI will periodically assess the entity selected for the order execution to ensure that this entity guarantees the fulfilment of the obligations to which it is bound, guarantees the quality of the execution in the best conditions and, if necessary, corrects the deficiencies found.

Banco BPI has taken, and will take into consideration, the following factors in this selection and in the periodic assessment it will make of this selection:

- Coverage and access to a wide range of relevant markets;
- Reputation and professionalism: market presence, order execution capacity, processing speed and incident resolution capacity;
- Guarantee that the execution policy of the selected entity is aligned with Banco BPI's Policy for the Order Execution on Financial Instruments;
- Quality of execution, clearing and settlement of transactions;
- Access to information on executed orders: details and quality of the information that trading platforms can provide on executed orders;
- Costs, commissions and/or fees applied.

At least once a year, Banco BPI will review the financial intermediary(ies) selected.

In any case, if circumstances arise that prevent or may prevent compliance with the established selection criteria, an immediate review will be carried out.

The purpose of the review, regardless of when it is carried out, will be to verify compliance with the abovementioned selection criteria to guarantee compliance with the Policy.

The change or selection of new financial intermediaries will be publicised to Clients through any durable medium or by publishing the updated list on the website [www.bancobpi.pt](http://www.bancobpi.pt). By accepting this Policy, the Client gives his consent for his orders to be executed outside the trading platforms (i.e. outside organised markets, multilateral trading systems and organised trading systems), in accordance with Banco BPI's choice of trading platforms, and provided that, in accordance with the selection criteria indicated above, this circumstance is recommended in order to obtain the best result for the Client.



## Forwards

When executing orders relating to forwards and considering that they are executed through Banco BPI, Banco BPI monitors, using appropriate tools, the prices that other financial intermediaries are quoting for the same operations, so that the operations that Banco BPI executes with its Clients are executed under the best conditions for them.

## Execution interposed by Banco BPI

Banco BPI may act as the Client's counterparty, intervening in negotiations between the Client and the trading venue, the financial intermediary or the counterparty to the order, or even acting as the Client's final counterparty. The main types of orders that can be transmitted through Banco BPI are described below:

a) "Back to back" execution

- Banco BPI acts as a mere intermediary, acting simultaneously on both sides of the transaction, intervening as a mirror of each party (according to the definition of the term "back-to-back" provided by the European Securities and Markets Authority ("ESMA")).

b) Execution outsider of trading platforms

- Banco BPI may execute orders outside trading platforms / Over the Counter ("OTC"), acting as the Client's counterparty. This type of execution applies in the case of forwards. The order execution process begins with an advance quotation request from the Client, as follows [Request for quotation / advance pricing](#).

## Request for quotation / advance pricing

The Client may ask Banco BPI for a quotation/price for a specific financial instrument before the decision is made, and the order is sent (Request for Quote/Advance Quote).

In such cases, the Policy shall be deemed to have been fulfilled to the extent that Banco BPI executes the order in accordance with the terms previously agreed with the Client, and the agreement may cover:

- When and how to request an Advance Quote;
- The number of counterparties or trading platforms for which you have requested an Advance Quote;
- Determining specific counterparties or trading platforms.

Banco BPI will demonstrate consistency in the formation of the requested Advance Quotations ("fairness of the price") upon request of the Client or regulatory authority.

In the case of orders to be executed with an Advance Quotation, Banco BPI shall verify whether the Advance Quotation proposed to the Client is adequate ("fairness of the price"), considering the market data used to estimate the abovementioned Advance Quotation, namely:

- In the case of sufficiently liquid instruments, in comparison with the quotation/price offered by other counterparties in the market and/or with the price of similar or comparable instruments.
- In the case of illiquid instruments, through the timely justification of the construction of the theoretical price, based on observations of market variables associated with the financial instrument in question.

## **Conflicts of interest**

In certain circumstances, there may be a conflict of interest between obtaining the best possible result for Clients and for Banco BPI, in which case obtaining the best possible result for the Client shall prevail as the priority.

## **Order management**

When Banco BPI executes or transmits orders received from Clients, it will ensure that the following requirements are met:

- Identify the person who placed the order, and where a third party or representative places the order on behalf of the person who placed the order, identify that third party or representative; and
- That the investment decision was made before the order was transmitted and, consequently, before the outcome of the transaction was known.

Banco BPI is obliged to guarantee the correct formation of prices in the markets, so there may be delays in sending certain orders for execution when their volume or price limit may affect the integrity of the market, in which case the order will lose its execution priority in the order book.

## **Prioritising the execution of orders**

In general, the following priority rules apply to the execution of Clients orders:

- Under conditions of equal price and order characteristics, the first order received will take priority;
- Orders received from Clients will have priority over orders for Banco BPI's own account;
- Regarding Banco BPI's own orders, and to safeguard the interests of Clients, the investment decision of Banco BPI entities will be taken by a separate area independent from the trading rooms that receive orders from Clients, applying the provisions of the previous point.

## 5. Aggregation and allocation of orders

As a rule, Banco BPI does not aggregate Clients' orders, nor does it aggregate Client orders with Banco BPI orders.

In exceptional cases, when carrying out the investment service of reception and transmission of orders on behalf of third parties, Banco BPI may aggregate the Client's orders, including with Banco BPI's own portfolio orders, for execution, provided that the following conditions are met:

- It is clearly necessary the Client's order need to be executed quicker and it is in the Client's best interests, or when it is determined by the entity managing the trading venue to which the order is to be directed;
- the aggregation is not, overall, detrimental to any Client;
- Clients whose orders are aggregated have been informed of the possibility that the effect of aggregation may be detrimental to their specific order;
- the Client does not oppose to the aggregation of his order (consent granted by telephone recording will be considered valid).

Whenever Banco BPI aggregates a Client order with an order from its own portfolio and the aggregated order is partially executed, it allocates the corresponding operations to the Client as a priority. Without prejudice to the foregoing, Banco BPI may allocate the operation proportionally if it demonstrates on reasonable grounds that, without the aggregation of the order, it would not have been able to execute it or would not have been able to execute it under such favourable conditions.

When aggregating orders transmitted by several Clients, Banco BPI allocates the corresponding operations proportionally to each of the Client, i.e. at the weighted average price and prorated according to the volume of the order transmitted.



## 6. Crossing of Client orders

Banco BPI will not cross Client orders internally, or cross Client orders with its own orders, except in cases where the regulations of the relevant trading venue allow it (such as block trades), and if prior consent or instructions have been obtained from the Client.

## 7. Policy communication

Clients who sign a contract with Banco BPI for the provision of financial intermediation services will find the updated version of the Execution Policy in the "Banco BPI Investor's Handbook", which is available at the Bank's branches and at [www.bancobpi.pt](http://www.bancobpi.pt) you can also request a paper copy.

In addition, Banco BPI makes information available in the "Banco BPI Investor's Handbook" on the execution of orders on financial instruments.

## 8. Obtaining Client consent

Banco BPI will obtain its Clients' acceptance of the Policy at the time the Client signs the Product and Service Agreement or before providing the order reception, transmission and execution service, with the Client expressly acknowledging that the request for execution of the first order after the Client signs the Product and Service Agreement or the first order after any change to Banco BPI's Execution Policy will be considered as acceptance of Banco BPI's Policy.

## 9. Policy supervision

As established in the Securities Code, Banco BPI must periodically verify compliance with the Policy adopted and, particularly, the quality of execution of the entities covered by said policy.

The Policy will be reviewed at least once a year, without prejudice to its revision whenever justified.

Every year, Banco BPI will disclose its five most used financial intermediaries for executing Client orders in terms of transaction volume in the previous year, for each category of financial instrument, as well as information on the quality of order execution obtained, publishing this information on its website ([www.bancobpi.pt](http://www.bancobpi.pt)).

Supervision and control will be ensured through the following procedures:

### **Evaluation of the order execution policy**

Banco BPI evaluates its policy by weighing up the need to change or include factors that determine execution under the best conditions.

### **Verification of compliance with the Order Execution Policy**

Verification of compliance with this Policy will be carried out by reviewing the compliance of internal processes and the associated controls.

This verification will not consist of checking each order individually, but of proving that there is a process subject to periodic review which shows that the controls are working correctly.





## **10. Evidence of execution in accordance with this policy**

If Clients so request, Banco BPI will demonstrate that orders subject to this Policy that it has transmitted have been executed in accordance with this Policy.

## 11. Policy update

Banco BPI's Order Execution Policy on financial instruments is updated and/or amended at least in the following cases:

- Legal or regulatory changes affecting the policy;
- By approving the inclusion of new procedures or changes to existing ones, at the proposal of the Board of Directors or the corresponding delegated body;
- At the proposal of the auditors and control bodies;
- Whenever there is an opportunity for improvement in the selection of execution platforms or financial intermediaries;
- In any case, at least once a year.

