

	<b>Execution policy</b>	<i>Updated in 10/2021</i>
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This execution policy applies to CARAX S.A., which is regulated by the A.M.F. and the A.C.P.R.  
In accordance with the regulations, CARAX applies an execution policy for orders on financial instruments enabling it to obtain the best possible result for its clients' orders.

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*Warning: only the French version is binding.*

## **I. Scope**

Carax has drawn up this Execution Policy in order to describe the procedures in place to obtain the best possible result for its clients in terms of execution.

### **1.1. Categories of client**

Article L. 533-20 of the French Monetary and Financial Code, which transposes Article 30 of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 (hereinafter “**MiFID 2**”) specifies that transactions entered into with eligible counterparties, or involving eligible counterparties, are not subject to certain conduct rules, including a best execution obligation.

This policy does not therefore cover relationships with eligible counterparties.

Carax’s clients include professional clients and eligible counterparties.

### **1.2. Type of financial instruments and transactions**

Recital 104 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 (hereinafter the “**MiFID 2 DR**”) provides that the best execution obligation applies to all types of financial instruments.

### **1.3. Type of investment services provided**

Pursuant to Article 24 of Directive 2014/65/EU of 15 May 2014, known as “**MiFID 2**”, and Articles 64 to 66 of Delegated Regulation 2017/565, when providing an order reception and transmission and/or execution service in relation to financial instruments (as defined in Appendix I. Section C of **MiFID 2**), **CARAX** takes all sufficient steps to obtain the best possible result on behalf of its Professional clients.

Pursuant to recital 103 of the **MiFID 2 DR**, proprietary transactions carried out by an investment firm with clients should be considered as execution of clients’ orders and are therefore subject to best execution obligations.

This is the case where the client wishes to execute its order over the counter. **CARAX** acts on its own account and acts as a counterparty on the transaction with the client.

### **1.4. Type of instructions received**

Specific instructions

Pursuant to Article L. 533-18, I of the French Monetary and Financial Code and Article 65(4) second paragraph of the **MiFID 2 DR**, when a client sends a specific instruction to its intermediary, the intermediary must execute or transmit that order in accordance with this instruction. However, where a client has provided a specific instruction which only covers part of or an aspect of the order, Carax's best execution obligation applies to any other part or aspect of the order not covered by such instructions.

The specific instruction may relate to an trading venue, or to any other aspect of the order.

The client’s specific instructions on all or part of an order take precedence over **CARAX**’s execution policy, which will therefore only apply to the part of the order not covered by the client’s instructions.

Indeed, where specific instructions are given by a client, Carax risks, in relation to the items covered by these instructions, not being able to implement the measures proposed and applied under its execution policy with a view to obtaining the best possible result for the execution of these orders.

## **II. Provisions relating to best execution**

The best execution obligation is defined in Article L. 533-18, I of the French Monetary and Financial Code and constitutes an obligation on service providers to “take all sufficient measures to obtain, when executing orders, the best possible result for their clients...”.

Pursuant to that article, the best possible result is assessed by reference to seven factors (see 2.1).

Under Article 64(1) of the **MiFID 2 DR**, the relative importance of these factors must be determined by Carax based on a series of criteria relating to the:

- characteristics of the client, including its categorisation
- characteristics of the client’s order
- characteristics of the financial instruments that are the subject of that order
- characteristics of the execution venues to which that order can be directed.

## 2.1 Drawing up the execution policy

Under Article L. 533-18 II of the French Monetary and Financial Code, compliance with the best execution obligation requires systems and an order execution policy to be put in place so that Carax is able to obtain the best possible result for its clients' orders.

### 2.1.1 Execution policy factors

Under Article L. 533-18 of the French Monetary and Financial Code, the factors to be taken into account by the service provider in obtaining the best possible result for its client are: price, cost, speed, likelihood of execution and settlement, size, nature of the order, and any other considerations relevant to the execution of the order.

In addition to the factors listed above, the service provider may take into account the "other considerations relevant to the execution of orders" set out in Article L. 533-18, I of the French Monetary and Financial Code, i.e. qualitative considerations.

To obtain best execution, CARAX considers, where relevant and appropriate, the following factors in the following order of importance:

- 1 Size
- 2 Likelihood of execution
- 3 Price
- 4 Speed
- 5 Costs
- 6 Nature of the order
- 7 Any other consideration relevant to the execution of the order.

The relative importance of these factors may vary based on the different financial instruments used, the trading venues, and the inclusion of Specific Instructions in the order. For Professional clients, price and costs are generally the most important factors, but CARAX also takes into account, where justified, other factors based on the circumstances, including when there is a possibility of obtaining a better price.

Furthermore, the execution price factor is compliant with Carax's margin policy.

When setting the price, Carax therefore takes into account the maximum authorised margins defined per type of security.

Where there is only one possible execution venue on which the transaction can be executed, best execution is achieved by execution on that venue.

Best execution is a best effort obligation rather than an obligation to achieve a specific result. This means that when CARAX executes orders for its clients, it must execute them in accordance with its execution policy, without providing any guarantee that the best possible price will be obtained in all circumstances. In all circumstances, the factors may result in different outcomes on a specific transaction.

In addition, the obligation does not apply in certain circumstances, such as serious market disruptions and/or an internal or external system failures (non-exhaustive list), in which case the obligation is principally reduced to the transmission of orders in a timely manner, or even simply to transmitting orders. In the event of a system failure, CARAX may also be unable to access all possible execution venues to execute orders.

In applying best execution policy to OTC transactions, Carax checks the fairness of the price offered to the client by collecting market data used in the estimate of the product's price and, where possible, comparing it to similar or comparable products.

### 2.1.2 Choosing execution venues

Clients' orders for debt securities may be executed :

- On Regulated markets as defined by MiFID;
- On Multilateral Trading Facilities (MTFs) as defined by MiFID; or
- On OTFs (organised trading facilities);
- On Other sources of liquidity such as:
  - Third-party negotiators, systematic internalisers and market makers.
- By CARAX.

In addition, pursuant to Article 64(3) of the MiFID 2 DR, Carax shall not structure or charge fees in such a way as to discriminate unfairly between execution venues. The main execution venues are:

- CARAX ;
- Bloomberg MTF.

Orders executed over the counter may generate counterparty risk as a result of being executed outside a trading venue. CARAX, at the client's request, may provide additional information on the consequences of this method of execution.

## **2.2 Regular monitoring and review of the execution policy**

CARAX monitors the effectiveness of its execution of orders and its execution policy on a regular basis and at least every quarter.

CARAX revises this execution policy at least once a year and on the occurrence of any change that would affect its ability to obtain the best possible execution results for its clients taking into account:

- Liquidity, costs and the likelihood of execution;
- Credit risk;
- Historically observed operational incidents and recovery plans;
- Reputation.

CARAX will publish updated versions of its execution process or execution policy on its website, showing any changes thereto.

This review is formally documented through a summary document setting out the elements included within the scope of the review, the execution venues examined, the changes made to this policy, the reasons for these changes (or, as the case may be, the renewal, without amendment, of the current policy) as well as the discussions resulting in a decision regarding connection (or non-connection) to new execution venues.

## **2.3 Obligation to provide information in relation to best execution**

### **2.3.1 Provision of information to clients**

CARAX needs to provide its clients with appropriate information on its Execution Policy, which is available on its website ([www.carax.com](http://www.carax.com)) and which must be brought to the attention of any new client.

Under the last paragraph of Article L. 533-18-2 of the French Monetary and Financial Code, Carax must notify clients with whom it has an ongoing relationship of any significant change in its system for executing orders or its order execution policy.

### **2.3.2 Obtaining the client's prior agreement**

Under the second paragraph of III of Article L. 533-18 of the French Monetary and Financial Code, Carax must obtain the prior consent of its clients to the execution policy.

Accordingly, by placing an order with CARAX, clients shall be deemed to have accepted this policy.

Where a financial instrument is admitted to trading on a regulated market or MTF, CARAX is also required to obtain the consent of its clients before executing their orders outside a regulated market or MTF. An acceptance form is available for this purpose.

Carax may obtain such consent either via a general agreement or in respect of specific transactions.