

## Order execution on best terms

### Summary of analysis of execution quality achieved in 2017

In accordance with Directive 2014/65/EU and the regulations implementing and transposing it (MIFID II), Mediobanca has: i) on 18 December 2017, updated its Order Transmission and Execution Strategy which defines the measures adopted to obtain the best possible result for its clients' orders; and ii) today, 30 April 2018, has published information on its top five execution venues by trading volumes at which it executed its clients' orders in the past year, and on the top five investment firms by trading volumes to which it transmitted its clients' orders in the last year.

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This document contains an assessment made by Mediobanca of the quality of the execution achieved at the venues where its clients' orders were executed in 2017.

#### Execution factors relative to client classification

Mediobanca has followed the importance assigned to the execution factors defined in the Strategy adopted during the last year, namely:

- Price of financial instrument
- Costs of execution
- Speed of execution
- Probability of execution and settlement
- Size of order
- Nature of order
- Other characteristics of the order relevant to its execution

Mediobanca has considered the "total amount" (which consists of the "price" of the instrument and the "cost of execution") to be the principal factor in determining the best result possible in the execution of orders submitted by clients classified as "retail". For "retail" as for "professional clients" that have expressly requested it, a dynamic execution strategy has been adopted which entails systematic and exclusive access to execution venues that guarantee pre-trade transparency.

The Bank has also considered "speed of execution" and "probability of execution and settlement" as factors which could take priority over the "total consideration" to establish the best result possible in the execution of orders submitted by clients classified as "professional". For such clients a dynamic execution strategy has been adopted which entails access also to execution venues which operate in exemption to pre-trade transparency obligations (i.e. "reference price waiver").

#### Conflicts of interest

Mediobanca does not have any close links, conflicts of interest or cross-ownership arrangements with the execution venues which it has used in 2017, nor has it entered into any specific

agreements with such venues regarding payments made or received, or regarding discounts, reductions or non-monetary benefits obtained outside of the standard terms and conditions.

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### Summary of quality achieved by class of instruments

For each of the classes of financial instruments traded, the orders have been executed and/or transmitted in accordance with the criteria defined in the Strategy implemented by the Bank during the course of the year, and the quality of execution achieved is in line with the strategy.

The main venues by trading volumes at which overall the best order execution was achieved in 2017, for each of the different classes of instruments traded, are listed below.

#### i) Equities:

- For retail clients the *Mercato Telematico Azionario* ("MTA") operated by Borsa Italiana S.p.A. (on which 89.14% of the volume of trades for the total asset class was executed);
- For professional clients the *Mercato Telematico Azionario* ("MTA") operated by Borsa Italiana S.p.A. (on which 74.87% of the volume of trades for the total asset class was executed), Euronext – Euronext Paris, Xetra operated by Deutsche Boerse and Euronext – Euronext Amsterdam (on which overall more than 17% of the volume of trades for the total asset class was executed).

For this asset class, in December 2017 the Bank revised its strategy with a view to enhancing its execution quality, taking into account, among other things, the trend in the market scenario towards an increasingly wide availability in terms of execution venues. The Strategy now makes provision for access to a higher number of venues selected on the basis of their liquidity, in terms of competitive pricing (bid-ask spreads), market depth and resilience. Mediobanca has thus selected a new broker to allow it to have indirect access to such venues.

Some of the execution venues selected, which the Bank has made accessible to "professional" clients only, may allow orders to be executed on terms which are better overall, considering the "speed of execution" and "probability of execution and settlement" factors as having priority over the "total consideration" criterion; these venues indeed operate in exemption to pre-trade transparency obligations ("reference price waiver").

#### ii) Exchange traded products:

- For retail clients ETFplus operated by Borsa Italiana S.p.A. (on which 81.43% of the volume of trades for the total asset class was executed) and Euronext Paris (on which more than 16% of the trades for the total asset class was executed);
- For professional clients ETFplus operated by Borsa Italiana S.p.A. (on which 87.07% of the volume of trades for the total asset class was executed), Euronext – Euronext Paris (on which 8.28% of the volume of trades for the total asset class was executed) and Xetra of Deutsche Boerse, on which 3.40% of the volume of trades for the total asset class was executed).

The changes made to the Strategy for equities involve also client trading in listed indexed financial instruments.

**iii) Debt instruments:**

- For retail clients MOT di Borsa Italiana S.p.A. (on which 68.09% of the volume of trades for the total asset class was executed) and EuroTLX (on which almost the whole remaining volume of the trades for the total asset class was executed, equal to 31.17%);
- For professional clients MOT di Borsa Italiana S.p.A. (on which 41.45% of the volume of trades for the total asset class was executed), EuroTLX (on which 29.92% of the volume of trades for the total asset class was executed) and Bloomberg Trading Facility Limited (which acquired multilateral trading facility status in July 2017 and on which during the year 27.16% of the volume of trades for the total asset class was executed).

For this asset class the national regulated markets and multilateral trading facilities on which the Bank executed orders have applied competitive trading terms and guaranteed a high level of liquidity.

**iv) Securitized derivative financial instruments:**

- For retail clients EuroTLX (on which 71.05% of the volume of trades for the total asset class was executed) and SeDeX (on which the residual 28.95% was executed);
- For professional clients EuroTLX (on which 66.02% of the volume of trades for the total asset class was executed) and SeDeX (on which 30.62% of the volume of trades for the total asset class was executed).

For this asset class, the orders are generally executed at the reference execution venue.

**v) Equity derivative financial instruments:**

- For professional clients IDEM di Borsa Italiana (on which 96.51% of the volume of trades for the total asset class was executed).

For this asset class, the orders are predominantly executed at prices determined on the basis of quotes offered by the Bank following requests from clients (RfQ – Request-for-Quote).

**vi) Securities financing transactions:**

- For professional clients MTS S.p.A. di Borsa Italiana (on which all the trades have been executed).