

FIRST ABU DHABI BANK UK
ORDER EXECUTION POLICY FOR PROFESSIONAL CLIENTS
NOVEMBER 2020

1 Introduction

First Abu Dhabi Bank PJSC, United Kingdom Branch ("**FAB UK**", "**we**", "**us**", "**our**") has established and implemented this Order Execution Policy (the "**Policy**") as required by the rules of the Financial Conduct Authority ("**FCA**").

2 Scope and Application of this Policy

- 2.1** This Policy applies only to clients classified by us as Professional Clients in accordance with our Terms of Business. This Policy does not apply to Retail Clients or Eligible Counterparties for Eligible Counterparty Business (each term being defined by the FCA's rules).
- 2.2** This Policy only applies to orders received and/or executed by FAB UK for Financial Instruments as defined by the FCA's rules, which include (but is not limited to): transferable securities, money market instruments and certain derivatives. The application of this Policy to specific Financial Instruments for which we provide our investment services is set out in Annex I.
- 2.3** For the avoidance of doubt, we do not owe you any fiduciary responsibilities as a result of the matters set out in this Policy, over and above the specific regulatory obligations placed on us, or as contractually agreed with you.
- 2.4** Please note that by conducting business with us following the receipt of this document, you will be deemed to have consented to this Policy.

3 Legal Structure

- 3.1** First Abu Dhabi Bank PJSC ("**FAB**") is a company licensed by the Central Bank of the United Arab Emirates and regulated by the Central Bank of the United Arab Emirates and by the Securities and Commodities Authority. FAB UK is a branch of FAB and is authorised in the UK by the Prudential Regulation Authority ("**PRA**") and subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.
- 3.2** In all circumstances, your counterparty to any executed order(s) you place with FAB UK will be FAB (acting through either FAB UK or FAB's head office in the United Arab Emirates ("**FAB HO**")).
- 3.3** FAB will typically act in a principal capacity where transactions entered into with clients and counterparties will be executed against its proprietary capital.

4 Our Duty of Best Execution

- 4.1** We are required to obtain the best possible results for the execution of orders on behalf of our clients ("**Best Execution**"). When we are required to provide Best Execution, this means

that we will take all sufficient steps to obtain the best possible result for our client, taking into account the Execution Factors set out below in section 5.

4.2 If we have classified you as a Professional Client, our determination of whether or not Best Execution applies will depend on the type of transaction you are seeking to execute with us:

4.2.1 Where we are dealing with you in a principal capacity, for example, including, but not limited to, where you have accepted a quote, we will determine whether you are placing legitimate reliance on us in relation to a transaction by considering the “Four-Fold Test” outlined below. As noted above, FAB will typically deal with you in a principal capacity.

4.2.2 In certain limited instances, we may act for you in an agency style capacity, for example, by executing your order in an intermediated market access/riskless principal capacity and you have not given us specific instructions in relation to all relevant aspects of the execution of the transaction. In such instances, it is generally clear that you will be relying on us to protect your interests and we will therefore provide Best Execution.

4.3 In order to assess whether there is legitimate reliance, we will consider the transaction by reference to the following factors (known as the “**Four-Fold Test**”):

4.3.1 which party initiates the transaction – where we approach you and suggest that you should enter into a transaction, it is more likely that you will be placing reliance on us. Where you initiate the transaction, it is less likely that you will be placing reliance on us;

4.3.2 market practice and the existence of a convention to “shop around” – where the market convention is for participants to approach several dealers for quotes, and you have the ability to “shop around” for quotes, it is less likely that you will be placing reliance on us;

4.3.3 the relative levels of price transparency within a market – where we reasonably believe you have access to similar levels of price transparency, it is less likely that you will be placing reliance on us; and

4.3.4 the information provided by us and any agreement reached – where our arrangements and agreements, including as described in this Policy, do not indicate or suggest a relationship of reliance, it is less likely that you will be placing reliance on us.

4.4 Following consideration of all relevant circumstances of the transaction and the application of the Four-Fold Test, we will take a view as to whether you are a legitimately relying on us. Where we conclude that you are not legitimately relying on FAB UK, then Best Execution will not apply.

4.5 Please consult Annex I for specific guidance on when you will not be owed Best Execution. As set out in Annex I, we consider that Best Execution does not generally apply to transactions conducted following the provision of a quote.

5 Execution Factors

5.1 Where we have determined that we owe you a duty of Best Execution in relation to a transaction, we must consider certain execution factors as part of the process of taking all

sufficient steps to obtain the best result possible for you in relation to that transaction, in accordance with this Policy.

5.2 We will therefore take into account, as relevant, the following factors (“**Execution Factors**”):

- 5.2.1 price:** the price a financial instrument is or may be executed at excluding any External Costs (as defined below) or any of FAB UK’s explicit internal costs;
- 5.2.2 costs:** this may include implicit costs such as market impact, external costs relevant to the execution including (but not limited to) execution venue fees, clearing and settlement fees and any other fees paid to third parties (“**External Costs**”) and explicit internal costs representing our own remuneration through commission and/or spread;
- 5.2.3 speed:** the time it may take to execute a transaction;
- 5.2.4 likelihood of execution and settlement:** the likelihood that we will be able to complete a client transaction;
- 5.2.5 size and nature of the order:** the size of the transaction and how this may impact the price of execution; and
- 5.2.6** any other relevant considerations deemed relevant to the execution of your transaction.

6 Execution Criteria

6.1 In determining the applicability of, and relative importance attached to, each of the Execution Factors, we will take into account any specific instructions that you give us and the following criteria:

- 6.1.1** the characteristics of the client (including the regulatory categorisation of the client);
- 6.1.2** the characteristics of the client order;
- 6.1.3** the characteristics of the Financial Instruments that are subject to that order; and
- 6.1.4** the characteristics of the execution venues to which that order can be directed.

6.2 In general, we would expect price to be the most significant execution factor for our Professional Clients. However, there may be circumstances where, depending on the nature of the transaction, the factors vary and other Execution Factors should be prioritised over price. We will use our experience and expertise to achieve the best outcome across all factors. As we have a degree of discretion in our application of these Execution Factors, this may result in a range of permissible approaches to executing your orders.

7 Specific Instructions from Clients

7.1 Where we owe our clients a duty of Best Execution, if we receive an order from a client that includes specific instructions in relation to the handling and execution of the entire order or a particular aspect of the order, subject to our legal and regulatory obligations, we will follow those specific instructions and in doing so we will have satisfied our Best Execution obligations with regard to the relevant aspects of the order.

- 7.2** Where the specific instructions relate only to a part or aspect of the relevant order, then this Policy will be applied to the remaining elements of the order not covered by the specific instructions.
- 7.3** Where we are provided with specific instructions, this may prevent us from taking the steps that we have designed and implemented in and under this Policy to obtain the best possible result for the execution of your order in respect of the elements covered by your specific instructions.
- 8 FAB Head Office is Usually the Sole Execution Venue for FAB United Kingdom Branch**
- 8.1** FAB UK will generally deal as principal against you, with the transaction being executed against FAB UK's proprietary capital.
- 8.2** However, in certain instances, FAB UK may execute your order in an intermediated market access/riskless principal capacity. Where we do so, the choice of underlying execution venue will be relevant and, where we owe you Best Execution, we will choose the execution venue or venues that we consider to be the most appropriate to meet our obligation to obtain the best possible results for our clients on a consistent basis. The underlying execution venues that we use may include regulated markets, multilateral trading facilities ("**MTFs**"), organised trading facilities ("**OTFs**"), systematic internalisers, market makers, other liquidity providers and third country entities performing a similar function to any of the above.
- 8.3** The factors that we will consider when choosing an underlying execution venue for your order include (but are not limited to): general prices available, depth of liquidity, relative volatility in the market, speed of execution, cost of execution, reliability and continuity of trading, creditworthiness of the counterparties on the venue (or the central counterparty) and the quality and cost of clearing and settlement. The significance of these factors may vary depending on the market in question or the nature of your order. For example, speed of execution may be a priority in markets with price volatility, whereas in markets that have low liquidity, the likelihood of execution itself may be most relevant. Equally, our choice of underlying execution venue may sometimes be limited by the nature of your order or your requirements (for example, orders for illiquid products may present little or no choice as to available execution venues). In addition, in certain circumstances the rules of the FCA may specify where an order can be executed.
- 8.4** Whenever FAB UK deals with you as principal, FAB HO is the sole execution venue for FAB UK (save for FAB UK's Certificate of Deposit Programme, in relation to which FAB UK is the sole execution venue). For the avoidance of doubt, whenever FAB UK deals with you as principal, FAB UK does not execute client orders through any other execution venues. Accordingly, all such client orders are executed outside of a regulated market, MTF or OTF (each, a "**Trading Venue**"). It is important to note that the execution of your order outside of a Trading Venue may involve consequences which differ from execution on a Trading Venue. For example, the transaction will not be subject to any rules of Trading Venues designed to provide for fair and orderly trading, there may be increased settlement risk as the settlement rules for Trading Venues will not apply to the transaction, and there may be a differing exposure to counterparty risk.
- 8.5** This Policy applies to our selection of FAB HO as our sole execution venue (save for FAB UK's Certificate of Deposit Programme as noted above), but it does not apply to the activities

of FAB HO. We monitor the execution achieved through FAB HO to ensure that we are satisfied that FAB HO meets the standards that we require in order for FAB UK to meet its Best Execution obligations.

- 8.6** A list of the primary venues which we consider enable us to obtain Best Execution on a consistent basis is set out in Annex II by reference to the relevant products. We will assess this list at least annually and may use other execution venues and add or remove any execution venue from this list if we determine it would be appropriate to do so. Our review will include monitoring data of the execution venues that we use, including data that is published in accordance with Regulatory Technical Standards 27 and 28 of the European Union Markets in Financial Instruments Directive 2014/65/EU (“**MIFID II**”) or any equivalent regime applicable to the relevant execution venues.

9 Order Handling

- 9.1** We have procedures and arrangements in place to ensure that:
- 9.1.1** client orders are dealt with promptly, fairly and expeditiously;
 - 9.1.2** otherwise comparable orders are executed sequentially;
 - 9.1.3** in the event of a conflict, the interests of the client are prioritised over our own; and
 - 9.1.4** no client order will be given preference over the order of any other client.
- 9.2** We may aggregate a client order with an order or orders from other clients and/or with a transaction on our own account. Aggregation will only be performed if it is unlikely that the aggregation will disadvantage any of the clients whose order is aggregated, however in certain circumstances the aggregation may work to a client’s disadvantage in relation to a particular order.

10 Monitoring and Review

- 10.1** We will monitor on a consistent basis the effectiveness of this Policy and its implementation in order to identify or correct any deficiencies. This will include monitoring publicly available data of the execution venues we use, including data that is published in accordance with Regulatory Technical Standards 27 and 28 of MIFID II or any equivalent regime applicable to the relevant execution venues.
- 10.2** In addition, we will review this Policy at least annually and whenever material change occurs which impacts our ability to continue to produce the best possible results for our clients.
- 10.3** We will notify you of any material changes to this Policy or our Best Execution arrangements via our website. We consider that a change will be material where its disclosure is necessary to allow our clients to make informed decisions about whether to continue with the use of our services.
- 10.4** Should you have any comments or queries in relation to this Policy please contact your usual FAB UK contact.

11 Publications

- 11.1** We are required to summarise and make public on an annual basis, for each class of financial instruments, certain information regarding the top five execution venues where we

have executed client orders and the top five brokers where we have transmitted or placed client orders, in each case, in terms of trading volumes in the preceding year and information on the quality of execution obtained. This publication will be made available on our website.

12 Record Keeping and Notifications to Clients

- 12.1** We maintain sufficient records to demonstrate that we have executed client orders in accordance with this Policy. If requested, we will review the execution of an order in respect of which we have provided Best Execution to confirm that it has been executed in accordance with this Policy.

Annex I

Application of Best Execution by reference to specific products

1 General Application of Best Execution

1.1.1 RFQ orders

The majority of our orders with clients are conducted on a request for quote (“**RFQ**”) basis. This is where we provide a firm risk price in response to a request for a quote. In such circumstances FAB will be acting in a principal capacity with any resultant transaction being executed against its proprietary capital.

Where an order is made via RFQ we **generally take the view that Best Execution does not apply**, where such transactions have the following characteristics:

- (i) you approach and request us to provide you with a quote;
- (ii) you have access to a number of different dealers to provide you with quotes and it is generally accepted market convention in the relevant markets that participants will shop around; and
- (iii) you have (or can be reasonably assumed to have) transparency on the prices at which transactions can be effected in the market.

However, in RFQ situations where these characteristics are absent or where we may exercise discretion of the execution of your order (see 1.1.2 below), this may cause our Best Execution obligation to apply.

1.1.2 Orders with discretion

In certain limited instances, we may not provide you with a firm risk price or otherwise act in a principal capacity, but instead may agree to act for you in an agency style capacity, whereby you may place an order with us for execution with instructions in relation to some terms of the transaction (such as Financial Instrument, quantity and price) but where we retain discretion over one or more elements of execution.

We may execute such orders over a period of time in order to achieve the best result. Where you give us an order with discretion, you acknowledge that there are multiple ways such an order could be worked and that we will have the discretion to work the order as we determine is in your best interest (subject to any specific instructions) and that the nature of such an order means the result may be uncertain. Please see section 7 of the Policy for further information regarding specific instructions.

2 Application to Product Types

Product Type	Order Types Available
Credit Products (includes: Bonds and Credit Default Swaps)	<ul style="list-style-type: none"> • RFQ (see 1.1.1 above) • Orders with discretion (see 1.1.2 above)
FX Products (includes: FX Swaps, FX Forwards, Cross Currency Swaps)	
Interest Rate Products (includes: Interest Rate Swaps, Overnight Interest Rate Swaps, Interest Rate Options (Caps, Floors, Collars))	
Money Market Products (includes: FAB Certificates of Deposit (Issuance, Buy-Back and Switches))	
Bond Repos and Bond Lending Products (includes: Repos, Reverse Repos, Total Return Swaps (Synthetic Repos) and Securities Lending. The underlying instruments for such products will be Bonds)	<ul style="list-style-type: none"> • RFQ only (we never act in an agency-like capacity on your behalf and nor do we accept orders from you. Best Execution does not apply to our Bond Repos and Bond Lending Products).
Other Derivative Products (includes: other Derivatives (including Bespoke Derivatives) not included above as agreed on an order by order basis)	<ul style="list-style-type: none"> • RFQ only (see 1.1.1 above).

3 Execution Factors

Where Best Execution is applicable we shall consider the Execution Factors in accordance with Section 5 of the Policy. Generally, we would expect price to be the most significant factor for our Professional Clients.

Where Best Execution is applicable to over the counter products (including Bespoke Derivatives), it may not be possible to apply Best Execution as applicable to other orders or products. In such cases, we will check the fairness of the price proposed to you by gathering market data used in the estimation of the price of such product and, where possible, by comparing it with similar or comparable products.

Annex II

Execution Venues

This table sets out the execution venues and brokers on which FAB UK places significant reliance in meeting its obligation to obtain Best Execution on a consistent basis at the date of publication of this Policy. We will assess this list at least annually. Please note that we may use other execution venues or brokers or add or remove any execution venue or broker from this list if we determine it is appropriate to do so.

Product Type	Execution Venues (non-exhaustive)
Credit Products	<ul style="list-style-type: none"> FAB HO
FX Products	
Interest Rate Products	
Other Derivative Products	
Money Market Products	<ul style="list-style-type: none"> FAB HO FAB UK