

Best Execution Policy

This is the Best Execution Policy (the “Policy”) of Bank of China Limited, Luxembourg Branch and Bank of China (Europe) S.A. (“the Bank”). Set out below is an overview of the order execution arrangements for instruments covered by the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (the “MiFID2 Directive”) and other relevant regulations and directives.

This Policy is only applicable to retail and professional clients (hereafter each the “Client”), as defined by MiFID2 Directive and any reference in this Policy to a Client refers to these categories. Where best execution requirement applies, the Bank will take all sufficient steps which include the timely handling of client orders to obtain the best possible result for its Clients taking into account the best execution criteria.

I. Best execution elements and criteria

Where best execution applies, the Bank will take all sufficient steps to achieve the best possible the costs related to execution. The Bank may use its commercial experience and execution result on a consistent basis. Ordinarily, the best possible result shall be determined in terms of total consideration, representing the price of the financial instrument and judgement to give precedence to other factors such as speed, likelihood of execution and settlement, size, nature of the order, its market impact and implicit transaction costs, but only insofar as they are instrumental in providing the Client with the best possible result in terms of the total consideration.

Notwithstanding the above, when executing a Client’s order, the Bank will also take into account other criteria such as the characteristics of the Client including the categorisation of the client (as retail or professional), the characteristics of the Client’s order, the characteristics of the financial instruments that are subject to the order, the characteristics of the execution venue to which the order may be directed.

For securities transactions focusing on retail clients, the best possible result shall be determined in terms of total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the Client which are directly relating to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

For financial market products, such as foreign exchange forward, foreign exchange swap, foreign exchange option, interest rate swap, cross currency swap, the Bank will usually offer a quote to a Client at the Client’s request and in such a case Section IV below shall apply. The Bank shall however ensure that the price proposed to the Client is reasonable having regards to the market data of the price of the relevant product, or the prices of

similar or comparable products.

II. Execution venues

Detailed below is a list of the execution venues that the Bank places significant reliance on, as it believes they offer the best prospects of affording the Client the best possible result on a consistent basis, considering their experience, reputation, the service they provide and the price, cost, speed of execution, likelihood of execution of transactions.

This list is not exhaustive and the Bank may use other execution venues from time to time.

(1) Execution venues for shares:

The Bank chooses brokers to execute Client orders taking account of (in descending order of importance): likelihood of order execution, speed of the execution, cost of the execution, settlement and custodian of securities.

BOCI Securities Limited
UBS Switzerland AG (Zurich, Switzerland)
Bloomberg MTF (EMSX, TSOX)

The Bank ensures that for shares admitted to trading on a regulated market or traded on a trading venue of the EU, the execution shall take place on a regulated market, or a multilateral trading facility (“MTF”), or an organised trading facility (“OTF”), or a systematic internaliser, or a third-country trading venue assessed as equivalent by the EU¹

(2) Execution venues for bonds:

For secondary market transactions, the Bank arranges the execution through bond trading platforms below on a request-for-quote basis. The Client may require the Bank to be the only counterparty of its trade and in such a case the Bank may need to find the opposite side of the Client’s trade. In the circumstance that the Bank is unable to find a counterparty for the opposite side of the Client’s trade, the Bank will not be able to provide a quote.

Bloomberg Trading Facility (BTF) B.V.,
Bank of China Limited
Bank of China (Europe) S.A.

The Bank may also distribute bonds in the primary markets and in the case that it acts as a counterparty to the Client, the transaction will be traded directly with the Bank. The

¹ Currently, the equivalent third-country/region trading venue for the purposes of trading obligation of shares includes Hong Kong, Australia and US, which may be further updated.

execution of the Client order will be subject to the relevant allocation received by the Bank from the issuer and/or the issuing bank(s).

- (3) Execution venues for financial market products, such as foreign exchange forward, foreign exchange swap, foreign exchange option, interest rate swap, cross currency swap, structured products, etc.:

Bank of China Limited
Bank of China (Europe) S.A.
FXall, and FXgo Electronic Trading Platforms

The Bank acts as counterparty to its Client and these products are admitted to be traded directly with the Bank or through a MTF of which the Bank is a member or participant.

The Bank ensures transactions subject to MiFID trading obligations shall be executed on a regulated market, or a MTF, or an OTF, or a third-country trading venue assessed as equivalent by the EU.²

Notwithstanding the above, for the purposes of this Policy, execution venue means a regulated market, an MTF, a systematic internaliser, an OTF or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing or a third party broker or Bank of China Group entity who acts as a broker of the Bank and on whom the Bank places significant reliance. The Bank shall not structure or charge commissions in such a way as to discriminate unfairly between execution venues.

Execution arrangements will vary depending on whether the Client asks the Bank to buy or sell a financial instrument on its behalf (i.e. where the Bank acts as agent) or if the Bank provides the Client with a quote as a price at which the Bank is willing to trade (i.e. where the Bank acts as principal).

III. Specific Client instructions

Where the Client provides the Bank with a specific instruction as to how to execute an order the Bank shall, where possible, endeavour to carry out Client's instruction. However the Client should note that if the Bank acts on the Client's specific instruction, the Bank may be prevented from executing the order in accordance with the Bank's Best Execution Policy for all elements specifically instructed by the Client. If a Client provides the Bank with specific instruction(s), the Bank will be treated as having satisfied its obligation to take all reasonable steps to obtain the best possible result for the Client with regards to the specific instruction from the Client. For all other elements not specified by the Client, the Bank will be held to fulfil best execution.

² Currently, the equivalent third-country/region trading venue for the purposes of trading obligation of derivatives includes Singapore and US, which may be further updated.

The Bank undertakes to promptly inform retail clients of any material difficulties that would prevent the Bank from properly carrying out any such Clients' orders upon becoming aware of such difficulty. Whilst this obligation only applies to retail clients, the Bank will endeavor to similarly inform professional clients on a best efforts basis.

IV. Quoted prices

Where the Bank offers a quote to a Client on his request, and which the Client accepts, the present Policy will in principle not apply. The Bank will consider the following factors when providing a quote in a financial instrument:

- i. The credit risk that the Bank will enter into when transacting with the Client;
- ii. The positions that the Bank or its affiliates hold in the financial instrument the Client wishes to transact in, or related instruments;
- iii. The cost of capital that the Bank incurs as a result of the transaction;
- iv. The level of service provided to the Client;
- v. The need for the Bank to ensure that the price quoted allows it to recuperate its costs as well as to generate a profit for its shareholders;
- vi. The nature of the market and/or the instrument in question.

It is impossible to quantify the relative contribution of each of these execution factors to the price quoted in advance as they will vary transaction by transaction.

V. Fair Order Handling

The Bank when handling Client order will:

- (i) Ensure that orders executed on behalf of Clients are promptly and accurately recorded and allocated;
- (ii) Carry out otherwise comparable Client orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the Client require otherwise;
- (iii) Inform a retail client about any material difficulty relevant to the proper carrying out of orders promptly upon becoming aware of the difficulty.

VI. Publication of top five trading venues

The Bank will publish the top five trading venues on its website on an annual basis.

VII. Monitoring and review

Relevant department in the Bank handling the execution of orders will monitor the effectiveness of its execution arrangements and Policy and assess on an annual basis whether the execution venues or the brokers, that the Bank has selected, provide the best possible result, taking into account the following factors: market coverage, reputation, the

service they provide, price, liquidity, execution and clearing costs, clearing arrangements such as settlement reliability, execution venue trading controls, and scheduled actions.

The Bank will review this policy and its execution arrangements at least annually or ad hoc in case of significant market events. The Bank will also notify its Clients of any material changes to its execution arrangements or this Policy.

VIII. Amendment to this policy

The Bank may amend this Policy without prior notification at any time as it deems necessary. Where there is a material change to the Bank's execution arrangements which could impact the execution factors, this will be communicated to the Clients via updating the Policy.

