

Order execution policy

1. Purpose

This document provides information on the action that Luzerner Kantonbank AG („LUKB“) takes to achieve the best possible outcome when executing client orders concerning financial instruments. In doing so, LUKB fulfils the regulatory requirements laid down in the Swiss Federal Financial Services Act (FinSA). In this respect FinSA references the requirements of the EU MIFID/MIFID II directives. This order execution policy is intended to safeguard client interests to achieve best execution through LUKB.

2. Definition of ‚best execution‘

To ensure the best possible outcome for the Client, LUKB determines the necessary criteria for the choice of venue (see section 4) at which to execute client orders.

3. Scope

3.1. General scope

The order execution policy described in this document applies to the execution of orders that the Client issues to the Bank in order to buy or sell securities or other financial instruments. It otherwise applies where LUKB buys or sells financial instruments for the account of the Client in fulfilment of its obligations under a portfolio management agreement with that Client.

3.2. Clients

LUKB draws the Client’s attention to the fact that it is not required to guarantee best execution for transactions with clients classified under FinSA as institutional or professional clients, or for clients that declare to LUKB, in accordance with FinSA, that they wish to be classified as institutional or professional clients.

3.3. Fixed-price agreements / primary market transactions

A fixed-price agreement results in a buy or sell contract between LUKB and the Client in which the Client declares that they wish to buy or sell financial instruments at a certain price. In such cases, the obligation of LUKB to execute at best requires only that fixed-price agreements be executed on fair market terms. The best execution principle does not apply to primary market transactions, because LUKB has no or only very limited control over the factors determining execution.

3.4. Priority given to Client instructions

If a Client issues express instructions for how an order is to be executed, LUKB will execute the order in accordance with those instructions. Instructions from the Client take priority over the LUKB order execution policy set out in this document. In practice, this means that an instruction from the Client essentially relieves LUKB of its obligation to take the action that it would otherwise take by default to achieve the best possible outcome from the execution of the orders in question.

4. Order execution criteria

The following order execution assessment criteria are used to achieve the best possible outcome from the execution of client orders:

- Price – price of the financial instrument that is to be traded
- Costs – in addition to the commissions due to LUKB, the costs of order execution may include further costs such as fees, taxes and external broker commissions.
- Speed – how long an order takes from issue to execution
- Probability – that it will be executed and settled in full
- Order volume and type – the size and type of the order may affect the choice of execution venue and whether or not the order is forwarded
- Market conditions – at the time the client order is received.

4.1. Application of order execution criteria

In the absence of any specific instructions from the Client, LUKB will weight price and costs higher than the other criteria to achieve the best possible total price for the Client. Immediate, full order execution is also part of the obligation to execute orders at best, apart from when prevented by the market situation or where the interests of the Client require alternative arrangements.

It must be noted here that order execution criteria may be weighted differently under certain circumstances, for example a trade in illiquid securities or financial instruments, in which executing the order in full (the probability of its execution) is deemed more important than the price. When determining the relative importance of the criteria listed above, LUKB will consider the characteristics of the Client, the order, the financial instruments concerned and the order execution venues to which such an order might be forwarded.

Despite LUKB taking all reasonable measures to ensure best execution, there may be circumstances (e.g. system failures, market distortion or other events beyond the control of LUKB) which prevent individual trades being executed at best in the absolute sense. LUKB will make every effort to execute such orders on the best terms available under the circumstances in question.

5. Order execution venues

LUKB executes client orders for certain financial instruments at the following execution venues:

- Stock exchanges and regulated markets
- Multilateral trading facilities (MTF)
- Organised trading facilities (OTF)
- Systematic internalisers (SI)
- Liquidity pools
- Interbank platforms
- Market makers, brokers and other liquidity providers
- LUKB's own trading book, where it acts as a counterparty or liquidity provider.

Under the Financial Market Infrastructure Act (FinMIA), organised trading facilities are not deemed to be trading venues per se, but are considered execution venues. Where LUKB is a member of a trading venue with a direct trading connection, it will execute the client order as commission business.

Alternatively, it may execute the order against its own order book, providing the order execution criteria ensure best execution and no instructions to the contrary have been received from the Client. LUKB will therefore trade against itself only if the outcome at least matches the best possible outcome determined by its own order execution criteria. This additional order execution facility benefits the Client by offering a better quality of execution.

In the case of trading venues that do not have a direct trading connection, LUKB will regularly forward client orders to a broker. The broker's own framework for ensuring best execution applies in such cases.

5.1. OTC trading

In the case of orders for financial instruments that are regularly traded outside a recognised trading venue LUKB will, as far as possible, obtain price bids from several of its recognised counterparties so that it is able to execute the order at the best price. Off-exchange-trading must also be based on a fair market price. LUKB draws the Client's attention to the fact that transactions executed outside a recognised trading venue always involve a counterparty risk. In rare cases, this risk may result in a loss to the Client if the counterparty is not able to fulfil its contractual obligations. LUKB nonetheless makes every effort only to trade with counterparties that are generally reliable in their execution and settlement of trades.

6. Combining orders

LUKB may combine buy or sell orders under different portfolio management mandates and forward them for execution as an aggregated order. Orders are combined only if there is essentially no disadvantage to be expected from doing so. Aggregated orders may, however, be subject to execution criteria that differ from those for the original individual orders. Aggregated orders that are executed fully or in part are allocated in accordance with the policy set out in this document and in the best interests of all of the Clients concerned. Partial executions of aggregated orders may result in exceptions. This is the case where minimum denominations must be observed when the partially executed order is divided between the Clients concerned.

7. List of order execution venues

This list covers the major order execution venues that are considered for at-best trade execution. LUKB reserves the right to execute orders at venues that are not listed if this is in the interests of best execution. LUKB will review the list of order execution venues at least once a year, and amend it if key criteria no longer apply.

Financial instrument	Selection criterion	Execution venue	Execution	Transaction type
Equities and exchange-traded investment funds (ETFs), as well as listed structured products	Listed Swiss equities, ETFs and structured products	SIX Swiss Exchange	Direct trading	Commission
	Listed Swiss equities, ETFs and structured products	BX Swiss Ltd.	Swiss brokers	Commission
	Unlisted Swiss equities	Generally via an organised trading venue	Swiss brokers	Commission
	Equities, ETFs and structured products listed abroad	Foreign stock exchange	Swiss or foreign brokers	Commission
Unlisted structured products	Issued by LUKB	OTC market	Direct trading with LUKB as counterparty	Commission
	Issued by a third-party bank	OTC market	Generally in direct trading with issuer	Commission
Bonds	Listed bonds in CHF	SIX Swiss Exchange	Direct trading	Commission
	Unlisted bonds in CHF	OTC market	Direct trading with LUKB or Swiss or foreign banks/counterparties	Commission
	Bonds in foreign currencies (Eurobonds)	OTC market	Direct trading with LUKB or Swiss or foreign banks/counterparties	Commission
Funds, NAV	All funds based on Net Asset Value (NAV)	Per transfer agent	Via transfer agent	Commission
Exchange-traded derivatives (Eurex, CME, etc.)	Exchange-traded options and futures	Eurex and other foreign stock exchanges	Swiss or foreign brokers	Commission
OTC derivatives (such as forex or interest derivatives)	All standardised forex or interest derivatives traded OTC	OTC market	Direct trading with LUKB as counterparty	Fixed price

8. Review of order execution policy

At least once a year, LUKB reviews its order execution policy according to the criteria described here. The Client permits the Bank to make unilateral amendments to this policy. Upon request, LUKB will disclose to the Client how their order has been executed in compliance with the LUKB order execution policy.

The order execution policy is published at lukb.ch. LUKB will assume that, by issuing orders to the Bank, the Client agrees to the present order execution policy.