

EXECUTION PRINCIPLES FOR VARENGOLD BANK AG

As of: 302/08/2018

- A.** In accordance with section 82 WpHG (German Securities Trading Act), securities services providers who execute orders from their customers for the purchase or sale of financial instruments are obliged to set out principles for the execution of orders to be reviewed at least annually, in order to achieve the best possible result for the customer during the execution of the order. Furthermore, in accordance with section 80 WpHG, providers must ensure that the execution of each individual customer order is carried out in accordance with these principles. The principles form part of the general terms and conditions of business of Varengold Bank AG (hereinafter referred to as 'the Bank').
- B.** The following execution principles shall apply to the execution of orders issued to the customer by the Bank for the purpose of purchasing or selling financial instruments (such as shares, futures or options) in futures or spot dealing on national or international stock exchange futures and spot markets. These principles do not apply to any type of off-exchange forward and spot transactions (including currency forward and FOREX transactions) – known as OTC transactions. In general, the Bank expects an explicit instruction from the customer regarding the trading centre when the customer issues orders for the purpose of purchasing or selling financial instruments.
- C.** These execution principles shall not apply if the Bank and the customer conclude OTC transactions directly with each other.
- D.** In accordance with section 82 WpHG, the customer's explicit consent (in general or individually) will be required if the Bank does not handle customer orders through organised markets ('stock exchanges') and multilateral trading systems, but through off-floor execution venues, for example directly with an issuer or a market maker or the Bank itself as OTC transactions. This approval is deemed to have been provided by the customer in the event, for example, that he or she independently makes OTC transactions within his or her order or explicitly instructs an off-exchange execution venue.
- E.** The execution principles will therefore apply only if the client does not wish to carry out an OTC transaction and as an exception places his or her order without precise instructions, in particular with respect to the execution venue for his or her order and the type of trading, or if the order for the purchase or sale of financial instruments is not completely clear.
- F.** If, in the context of his or her order, the customer gives the Bank an instruction as to the execution venues for the order or as to the trading type, these instructions shall prevail over these execution principles, i.e. in this case, the Bank will not execute the order in accordance with these principles of best possible execution, but according to the customer's instruction. In such a case, the Bank is not obliged to execute the order in accordance with its principles for order execution with the best possible result. The Bank's obligation to achieve the best possible result will then be deemed fulfilled according to the extent of the instruction. The customer will completely bear the risk that the Bank cannot achieve the best possible execution according to the present principles by following the customer's instruction. If there is no such instruction regarding the exact place of execution or type of trading on the part of the customer, the Bank executes the customer order in accordance with these principles. If an extraordinary market situation or a disturbance of the market require a different execution, the Bank will execute the order in the customer's interest (§ 384 paragraph 1 2nd subclause HGB).
- G.** The Bank reserves the right to modify the present principles of execution without the customer's consent at its reasonable discretion. The modified version will take effect after expiry of four weeks after its publication at the Bank's web site.
- H.** The aim of these contract execution principles is the constant effort on the part of Varengold to best implement customer orders covered by the execution principles (see the scope and application of principles B. to E.). Customer orders may be executed in several ways (for example by telephone, electronically or by floor trading) and/or at various execution venues, e.g. on stock exchanges or other trading venues in Germany or abroad, or by off-exchange trading. The Bank will therefore use execution methods and possible execution venues for the relevant types of financial instrument that generally provide the best possible execution in the customer's interest.
- I.** When determining concrete execution venues, Varengold generally assumes that the customer wishes to achieve the best possible price taking into account all expenses associated with the execution transaction. Since financial instruments are generally subject to price fluctuations and consequently a price development to the customer's detriment in period after the order placement cannot be excluded, those execution venues will be taken into account in particular where a complete execution is probable and is possible in due time and a rather large volume of the corresponding financial instruments is traded. This aims at achieving the best possible results for the customer.
- J.** The Bank will only realise customer orders for the purchase and the sale of financial instruments according to the framework agreement on the execution of forward transactions. This includes, without limitation, financial futures and options contracts, as well as spot contracts (incl. FOREX contracts and transactions in CFDs) Special conditions and specific risk factors apply depending on the financial instrument.

K. Execution venues: The following table shows the financial instruments and their associated execution venues:

Types of financial instruments	Execution
Exchange-traded financial instruments (including shares, bonds, futures, and options)	Execution on the stock exchange on which the respective financial instrument is traded for which the customer has placed the order. Transfer of the customer order by the Bank to third parties (see item L.)
Financial instruments traded over the counter.(including CFDs, foreign exchange (FOREX))	Execution of the customer order either by the Bank itself (also in the context of a transaction directly between the Bank and the customer) or by transmission of the customer order to third parties by the Bank (please see item L.)

- L.** Varengold is currently forwarding the execution of orders to other banks ('third parties'). Varengold selects these third parties according to the following criteria:
1. Quality and scope of the services offered
 2. Quality of execution
 3. Technological equipment and IT structure
 4. Third party's reputation in the market
 5. Cost structure and pricing
 6. Ability to provide individual services according to Varengold's wishes to achieve the best possible execution of customer orders.
- M.** The criteria described above are used for selecting the third party to be instructed by Varengold. Their weighting and assessment are dynamic and are reviewed regularly – at least once a year. Varengold works with only a small number of third parties for forwarding orders. The same criteria for the selection of third parties executing customer orders apply as well in the field of the handling of OTC transactions (for example, OTC forward and/or spot exchange transactions (FOREX) and CFDs). Varengold does not use many third parties in this area either. The weighting of the criteria is dynamic as well. For financial instruments traded in OTC transactions such as CFDs and foreign exchange (FOREX), the choice of executing third parties is limited because these financial instruments with their special features and product characteristics are generally tradable with one or a very small number of third parties only. In the context of OTC transactions, the third party or the Bank can directly constitute the counterpart of the transactions concluded by the customer. At least once a year, the Bank shall periodically review the execution principles of third parties that it has selected to pass on orders to, in order to ensure that the best possible execution of customer orders can be achieved in this way.
- N.** The weighting of the criteria and thus the selection of the third parties for the transmission of customer orders and for the execution of OTC transactions mainly aims at achieving a safe, cost-efficient and high-quality service and/or order execution to the customer via Varengold.
- O.** The Bank will not combine different customer orders into one order (a block order).
- P.** These execution principles shall not apply if the Bank and the customer conclude OTC transactions directly with each other. In this case, an execution as defined above is not carried out; on the contrary, the Bank and the customer are directly obliged according to the contractual agreement to fulfil the mutual duties resulting from and in the context of this transaction in financial instruments. This shall apply accordingly if the Bank offers securities for subscription in the context of a public or private offer.
- Q.** The execution principles are reviewed regularly – at least once a year.
- R.** If you have any detailed questions regarding individual items of our principles of execution, please do not hesitate to contact us.
- S.** By signing the documents for the opening of the account, the customer expressly agrees to the present principles of execution that allow the execution of orders outside regulated/organised markets as well.