Execution policy - Summary

1 Aim and purpose

This summary of the execution policy ("Summary") provides information about the measures taken by Zürcher Kantonalbank to achieve the best-possible execution of client orders for buying or selling securities or other financial instruments. The Summary should be read in conjunction with the Zürcher Kantonalbank Execution Policy, which is available online in its current version at ZKB Execution Policy.

The execution policy provides the basis on which orders are executed by Zürcher Kantonalbank. It contains general information on the basic measures taken and is supplemented by asset class-specific appendices. Zürcher Kantonalbank assumes that its clients consent to the execution policy if they place orders after publication of the policy. Zürcher Kantonalbank points out that its execution policy (as well as the brokers used, if any) permit the execution of orders outside of trading venues, i.e. "Over the Counter" or "OTC".

2 Scope

2.1 What does best execution mean?

Best execution requires the taking of all sufficient measures to systematically and regularly obtain the best-possible result when executing client orders (see Section 5) taking account of the execution factors (see Section 3).

2.2 Application of execution

This execution policy and thus the requirements for best possible execution of client orders ("best-execution requirements") apply to the execution or transmission of orders that the client places with Zürcher Kantonalbank for buying and selling (or entering into) the financial instruments or transactions listed below:

- Listed equities and exchange traded funds (ETFs)
- Interest-bearing securities
- Exchange-traded derivatives
- Non-listed equities
- Structured products
- Securities lending transactions
- OTC derivatives

Zürcher Kantonalbank applies the execution policy to all client orders to buy or sell the financial instruments or the transactions listed above, irrespective of the form of execution. The execution policy also applies if Zürcher Kantonalbank purchases or sells financial instruments or enters into transactions for the client's account in meeting its duties arising from an asset management agreement with the client.

As detailed in Section 2.3 of the execution policy, Zürcher Kantonalbank is not obliged to apply best execution in certain cases. This applies to transactions with institutional clients[1], transactions with professional clients[2] if they do not expect best execution, certain transactions in the primary market and transactions carried out via direct market access (DMA).

2.3 Specific instructions

If a client gives Zürcher Kantonalbank instructions on how to execute an order, the best execution obligation ceases to apply to the extent of the instruction.

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[1] As defined in the Financial Services Act (FinSA), including eligible counterparties according to MiFID II or the corresponding implemented national law.

[2] As defined in the FinSA.

If the client does not provide any specific instructions or if an instruction from the client only relates to part of the order, Zürcher Kantonalbank will execute the order or the other part part of the order respectively in accordance with its execution policy.

If a client has not signed the declaration of consent on the disclosure of client data in financial market and foreign currency transactions, Zürcher Kantonalbank may not execute particular transactions in certain markets (e.g. in trading venues in the EU) or may only be able to do so on the basis of less favourable conditions.

3 Execution factors

To ensure best execution, Zürcher Kantonalbank takes the following execution factors into account when executing client orders:

1. Price: the price of the financial instrument being traded.
2. Costs: the costs that Zürcher Kantonalbank can charge the client for executing the order (see Section 7).
3. Speed of execution: the time taken from the placing of the order until its execution.
4. Likelihood of execution: the likelihood of the client order being executed in full.
5. Likelihood of settlement: the likelihood of the client order being settled completely and successfully.
6. Size: the size of the client order, taking account of the extent to which this influences the execution price.
7. Nature of the order and any other consideration relevant to execution.

If there are no specific instructions from the client, the best-possible execution result for private clients is determined of the total consideration of execution, whereby the predominant weighting is given to the total costs (price and costs). In certain situations, it may, however, make sense to prioritise one of the other factors over price and costs, as otherwise there would be a risk of a negative impact on the overall evaluation. In the event of illiquid markets, for example, it might be necessary to give greater priority to such factors as likelihood or speed of execution rather than price and costs.

The asset class-specific appendices of the execution policy contain further information on how Zürcher Kantonalbank weights the different execution factors when executing orders. A ranking list of the relative priority of the factors is determined for each individual asset class, although the execution criteria and any other applicable criteria, as well as the nature of the order, must always be taken into account.

4 Execution criteria

When prioritizing the execution factors, Zürcher Kantonalbank takes account of the following execution criteria among others:

- Client characteristics;
- Characteristics of the financial instrument or transaction on which the client order is based;
- Characteristics of the execution venues at which the client order can be executed;
- Market conditions at the time of the client order being received.

5 Execution type for commission-based transactions

Zürcher Kantonalbank processes client orders/commission-based transactions in two different ways:

- Execution of orders: Placement of an order for the client at an execution venue, or Zürcher Kantonalbank executes against its own trading book (see Section 5.2)
- Receipt and transmission of orders ("RTO"): In this case Zürcher Kantonalbank transmits the order to a broker (see Section 5.3).

Zürcher Kantonalbank may decide to execute an order itself (including execution against its own trading book) or decide to transmit the order to a broker for execution. If no distinction is made in this document between the execution and transmission of orders, "execution of orders" refers to both execution types.

5.1 Execution venues

Zürcher Kantonalbank executes client orders at the following execution venues:

- Stock exchanges and regulated markets
- Multilateral trading facilities

- Organised trading facilities[3]
- Systematic internalisers
- Market maker
- Brokers and other liquidity providers
- Zürcher Kantonalbank's own trading book where acting in capacity of counterparty or liquidity provider

All of these venues are referred to hereinafter as "execution venues". Only stock exchanges, regulated markets, multilateral trading systems and organised trading systems are referred to as "trading venues".

To ensure the best execution of client orders on a consistent basis, Zürcher Kantonalbank evaluates the execution venues and brokers. This evaluation is based on the execution factors defined by Zürcher Kantonalbank for each asset class. It is carried out annually and, if necessary, repeated during the year whenever a material change occurs that affects the quality of execution of client orders. A "material change" is defined as a significant internal or external event with an impact on one or more execution factors, such as a broker becoming insolvent.

On the basis of this evaluation, Zürcher Kantonalbank carries out a preliminary selection of executive venues and of the brokers whose services it uses for RTO orders. In this way it ensures its consistent and general achievement of the regularly best-possible result when executing client orders, but not on the basis of individual orders.

A list of execution venues and information regarding their execution quality is provided in Appendix 8 of the execution policy.

5.2   Trading for own account of Zürcher Kantonalbank
Financial instruments admitted to trading at a trading venue may be traded outside of the trading venue directly between the market participants on an OTC basis. This means that Zürcher Kantonalbank itself can act as counterparty and execute the client order against its own trading book ("trading for own account"). The execution criteria defined for the respective asset class are applied accordingly in order to ensure best execution. Trading for own account may be used for all or some of the order in

the absence of any instruction from the client to the contrary. In such a case Zürcher Kantonalbank assumes the client's consent in accordance with the General Conditions for Trading and Safe Custody Accounts ("GCTSCA") agreed with the client.

The possibility of executing the order on an OTC basis extends the scope of action of Zürcher Kantonalbank and thus helps to improve execution quality.

5.3   Use of brokers
Zürcher Kantonalbank may execute orders itself or it may pass the orders on to brokers. In such a case Zürcher Kantonalbank will instruct the broker that the client order must be subject to best execution.

Zürcher Kantonalbank monitors the execution quality of the brokers that it uses and carries out regular selection processes (see Section 5.1).

6   Fixed-price transactions (Over-the-counter transactions)
Financial instruments such as OTC derivatives, securities lending transactions as well as structured products issued by Zürcher Kantonalbank on the primary market are not executed at a trading venue but are arranged bilaterally between the parties (OTC). This means that Zürcher Kantonalbank and the client conclude an agreement to purchase a financial instrument at a fixed or determinable price, or conclude a derivative contract at agreed terms.

With regard to OTC trading in own products of Zürcher Kantonalbank, Zürcher Kantonalbank checks the fairness of the price being offered to the client by referring to the market data, if available, used in the estimation of the price of such product and, where possible, comparing this data against similar or comparable products.

7   Costs of order execution
Zürcher Kantonalbank may charge the client various costs for the execution of orders. These fall into the following categories:

- Trading venue fees: There will be fees payable to the respective trading venue in relation to direct market

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[3] OTFs are not trading venues pursuant to the Swiss Financial Market Infrastructure Act ("FMIA"). They are, however, counted as trading venues in this document, except for purposes of OTC consent.

access by Zürcher Kantonalbank or following execution via a broker.
- Broker's fee: Where Zürcher Kantonalbank has no direct market access, fees will be charged by the brokers that provide this market access.
- Settlement fees: Settlement fees are fees charged by external settlement institutions and custodians for the settlement or custody of financial instruments.
- Zürcher Kantonalbank fees: These are reported as "own commission" or "own brokerage fee" or are included in the price in the form of a mark-up.

Zürcher Kantonalbank ensures that its fees are appropriate and fair taking into account product type and the volume and size of the transaction. Additionally, Zürcher Kantonalbank does not accept any payments for the allocation of client orders to certain execution venues. However, Zürcher Kantonalbank may receive a sales commission from the issuer in the case of new issues of structured products from one of its group companies ("issuer"). The amount of this commission is disclosed in the product terms and conditions.

8 Monitoring and duty of disclosure

Zürcher Kantonalbank has developed procedures and methods in order to review the execution quality achieved. This ensures in particular that the execution venues selected by Zürcher Kantonalbank guarantee the best execution of client orders on a consistent basis.

The execution venues and this execution policy are reviewed at least once per year and following any material changes. The current execution policy is available to clients online at ZKB Execution Policy.

Additionally, once per year Zürcher Kantonalbank publishes the top five execution venues (Top 5 report) for each asset class in terms of trading volume in the previous year, as well as information on the level of execution quality, on its website at ZKB Execution Policy.

Upon request, Zürcher Kantonalbank will demonstrate to its clients how their orders were executed in accordance with its execution policy or in line with the client's specific instructions.

9 Processing of client orders

Zürcher Kantonalbank executes comparable client orders without delay in the order in which they are received, unless this is not possible because of the nature of the order or the market conditions or if it is not in the best interest of the clients or if the clients expect the orders to be pooled and executed at the same price or if they give other specific instructions.

If Zürcher Kantonalbank pools orders with other client orders it ensures a fair allocation. It may take volume, price and cost into account but may also consider the fact that the orders could not have been executed individually at all or in the selected manner.
Zürcher Kantonalbank does not pool client orders with its own.