

## **NATIXIS EXECUTION POLICY**

*Retail clients*

*(Document updated in December 2010)*

### **1 - Introduction**

Pursuant to the implementation of the Markets in Financial Instruments Directive, Natixis is required to implement an order execution policy and establish procedures designed to ensure that it takes all reasonable steps to obtain the best possible result for Retail clients. The requirements apply where Natixis:

- executes orders;
- receives and transmits orders.

To that purpose, Natixis has set up and implemented an order execution policy for the brokerage activities in order to obtain the best possible result when executing orders for its clients. For each category of financial instrument, the order execution policy includes information on the different venues where Natixis executes its client orders and the factors affecting the choice of execution venue. It includes those venues that enable Natixis to obtain on a consistent basis the best possible result for the execution of client orders.

The execution policy applies in respect of all financial instruments covered by MiFID (see appendix).

Natixis must also provide its Retail clients with proper information regarding its order execution policy and obtain their prior consent to this policy.

### **2 - Principle of « Best Execution »**

Natixis shall take all reasonable steps to obtain « Best Execution » for its clients, taking into account the various execution criteria. Natixis will determine the relative importance of execution criteria using its judgment and experience, evaluation of market information available at the time of execution and its knowledge of the client.

The criteria for executing orders are: the price, the cost, the speed of execution, the probability of execution and settlement/delivery, the size of the order, its nature and any other considerations to be taken into account relating to its execution.

When executing an order for a Retail client Natixis will normally treat the total execution cost as the main criterion for achieving « Best Execution ». Total cost includes all charges relating to the execution of the order, in particular the execution venue's fees, clearing and settlement costs and any other charges payable to third parties for executing the order.

Natixis selects execution venues (see appendix) for each type of financial instrument in order to obtain « Best Execution » and reserves the right to consider any other execution venue should it consider it appropriate to do so. For Retail clients, execution venues selected by Natixis cover existing regulated markets where there is a presumption of liquidity and of obtaining the best result.

### **3 - Cases where « Best Execution » does not apply**

**3.1** Best Execution does not apply where Natixis executes transactions with its clients on the basis of a price or prices proposed by Natixis. This may be either in the form of published quotations or in response to a "request for a quote". In such cases, the transaction is carried out on the basis of prices proposed by Natixis and accepted by the client. Prices proposed by Natixis are based on Natixis' own market data, valuations, objectives and risk assessment. In acting as the client's counterparty Natixis does not assume responsibility for assessing the most appropriate mode of execution.

**3.2** Additionally, best execution (see paragraph 2) does not apply where Natixis receives specific instructions from a client and executes in accordance with those instructions. Instances of this may be for example, where the client designates a specific execution venue, time or procedure for executing an order. However, best execution may apply to certain aspects of an order not covered by the client's specific instructions.

## 4 - Cases where « Best Execution » applies

### A - Cash equities brokerage activities

For these activities, the execution policy applies to the following financial instruments:

- Equities
- Warrants
- Certificates
- Trackers

The execution policy refers to all Retail clients, whatever their country of residence.

#### A.1- Best Execution criteria

Natixis takes the following Best Execution criteria:

- *Firstly: the best global price* paid by the broker including all the execution's fees (in particular the execution venue's fee, clearing and settlement costs and any other charges payable to third parties for executing the order).
- *Secondly: the probability of order's execution.*
- *Thirdly: the speed of execution* from the receipt of order by the systems.

#### A.2- Execution venues meeting Best Execution requirements

##### A.2.1. Selecting venues

Natixis executes the orders on the most efficient venue in order to obtain the best price and the best probability/speed of execution. The most efficient venue depends on a panel of criteria which are:

- *Firstly:* the global price (including the cost of settlement/delivery)
- *Secondly:* the reliability and the security of the infrastructure
- *Thirdly:* the liquidity (spreads, volume dealt and size)

*Internally:*

- Considering the above criteria, all or part of an order could be executed by matching it internally with an order from another client or occasionally by Natixis itself as execution venue (Facilitation).

*Externally:*

- Regulated Markets of which Natixis is a member;
- Regulated Markets of which Natixis is not a member but to which it has access *via* local brokers subject to a Best Execution procedure (see paragraph A-2-2);
- Multilatéral Trading Facilities (MTF) (see appendix) or other venues if Best Execution is practiced on a constant basis.

Any access to platforms for systematic internalisation of orders is subject to a specific procedure.

##### A.2.2. Selecting local brokers

In markets of which Natixis is not a member and for all financial instruments listed above, Natixis selects local brokers who provide the best total price. Natixis uses also the following criteria:

- *Firstly:* Total price of transaction (including Cost of Settlement, when required)
- *Secondly:* Financial solidity

- *Thirdly:* Connectivity
- *Fourthly:* Quality of Middle-Office/Back-Office support
- *Fifth:* Client/Back-Office/Middle-Office feedback

Based on these criteria, a broker rating table is established.

Natixis Equity Markets' Broker Review Committee meets once a year based on the broker rating table to review the selection of existing brokers. The Committee decides whether to add new brokers or to stop working with a broker. This selection policy will be reviewed as soon as a significant change liable to have an effect on the broker's capacity to obtain the best possible results occurs.

### **A.3- Measures to ensure Best Execution**

Natixis takes the best possible measures to execute orders in the client's best interest, unless specified otherwise by the client.

To meet its commitments, as soon as new execution venues providing the best liquidity/price ratio are available, Natixis will endeavour to provide access to said venues via a Smart Order Router System, thus offering Best Execution based on the total costs of the transaction.

### **A.4- Specific instructions**

Specific client requirements concerning the price, venue or type of order will be considered by Natixis as a specific instruction (see § 3.2). In the event that Natixis agrees to process such order, it will be executed in compliance with the client's specific instructions.

In accordance with legal requirements, by following the client's specific instruction(s), Natixis is not required to take all of the measures set out in its execution policy in order to obtain the best possible result for the client.

In the specific case of limit orders concerning equities traded on a regulated market that are not executed immediately in accordance with prevalent market conditions: the order will be presented at a venue allowing for immediate execution, with the exception of orders in excess of the market's standard size.

### **A.5- Evidence of Best Execution**

Natixis can provide the client upon request with any supporting evidence of the means used to obtain Best Execution of the order executed on the client's behalf. The quality of execution will be evaluated as a whole (statistics supplied using a system to analyze costs over time) or on a case by case basis (audit trail).

## **5- Reception and transmission of orders: selection policy**

Natixis may receive orders from clients and transmit these orders for execution to third party brokers, including to its affiliates. This may occur in relation to all financial instruments and for all execution venues. For this purpose, Natixis has implemented a third party intermediary selection policy with a view to obtaining the best possible result in accordance with the provisions set out in paragraph 2. In particular, Natixis reviews the frequency and quality of intermediaries' selection committee process where the third party intermediary uses other service providers for the execution of orders transmitted by Natixis.

## **6 - Review of execution policy and execution venues**

Natixis regularly monitors, and reviews, at least annually, the effectiveness of its order execution procedures and quality of services offered by third party intermediaries. Natixis notably regularly reviews whether the order execution procedures set out in its order execution policy allow its clients to obtain the best possible result or whether such procedures need to be amended.

Natixis can thereby adjust the execution policy in the event of substantial changes of one of these elements.

### **7 - Client consent for executing transactions outside of regulate markets or MTFs**

Natixis is required to obtain its Retail clients' **express consent prior** before being able to execute any client orders outside a regulated market or an MTF (see definition in appendix). For this purpose, all Retail clients must give their consents by sending the attached consent form "Consent Form for execution of orders outside regulated markets or MTFs" duly completed and signed.

### **8 - Client consent to execution policy**

In addition to the consent required in paragraph 7, Natixis must also obtain its clients' prior consent to its execution policy by any means. Clients will be deemed to have given such consent when they place an order with Natixis.

### **9 - Update of the execution policy**

Natixis execution policy will be reviewed regularly, at least once a year, and whenever required by any potential changes that may affect our ability to obtain the best possible result for its clients. Natixis shall notify any material changes to its execution policy to its clients without delay. This may be done by displaying the latest version of Natixis order execution policy on its website.

## APPENDIX TO THE NATIXIS EXECUTION POLICY

(Document updated in December 2010)

### **MiFID Directive**

Directive 2004/39/EC of the European Parliament and of the European Council of April 21, 2004, on markets in financial instruments; amendment to Directive 2004/39/EC of the European Parliament of the of the European Council; Commission Directive 2006/73/EC of August 18, 2006, implementing Directive 2004/39/EC; Commission Regulation (EC) No 1287/2006 of August 10, 2006, implementing Directive 2004/39/EC.

### **MiFID scope of application: European Economic Area (EEA)**

All European Union Member States and the following countries: Iceland, Liechtenstein, Norway.

### **Financial instruments covered by MiFID**

- Transferable securities
- Money market instruments
- Units in collective investment undertakings
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices, financial measures, commodities
- Derivative instruments for the transfer of credit risk
- Financial contracts for differences

The definition of financial instruments does not include spot foreign exchange transactions and also, in particular, certain spot commodity transactions.

(For more details see MiFID Directive 2004/39/EC, Annex I, section C).

### **Execution venues**

- Regulated markets, including notably Euronext, the London Stock Exchange, Xetra, NYSE Liffe, Eurex, etc.
- Multilateral trading facilities (MTF), including notably Chi-X, Alternext, EUROMTS, MTS France SAS, etc.
- Systematic internalisers.
- Natixis proprietary trading book.
- Third-party investment firms or subsidiaries of Natixis, whether or not they are located in the EEA.

### **Regulated market**

Multilateral system which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and systems, and which is authorised and functions regularly and in accordance with the applicable provisions.

### **Multilateral Trading Facility (MTF)**

Multilateral system without the status of a regulated market which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in transactions concerning these instruments. It may be managed by an investment services provider approved to operate a system of this kind or by a market operator with relevant authorization from a regulatory body.