


Information sheet
Best - Execution Policy



01 November 2017

1. Introduction

MUFG Bank (Europe) N.V.¹ operates an Execution Policy (“Policy”) that is in accordance with the requirements of the EU Markets in Financial Instruments Directive (hereinafter: “MiFIDII”), which will apply from January 3rd 2018 onwards. When executing a transaction in Financial Instruments (as defined in MiFIDII) for Clients, MUFG Bank (Europe) takes all sufficient steps to obtain the best possible results for our Clients (hereafter this obligation is referred to as “Best Execution”).

Best execution requirements for MUFG Bank (Europe) are dependent on the type of transaction and the categorisation of the Client under MiFIDII.

2. Scope

2.1 Client categorisation and Financial Instruments concerned

This Policy applies only to business conducted with Clients classified by MUFG Bank (Europe) as Retail Client or Professional Clients under MiFIDII, and is not applicable to Eligible Counterparties.

This Policy applies to all transactions in Financial Instruments as defined in MiFIDII. MUFG Bank (Europe) currently executes transactions in the following classes of Financial Instruments:

- FX Swaps;
- FX Forwards.

2.2 Type of transaction: Request for Quote

MUFG Bank (Europe) only transacts with Clients on the basis of “Request for Quote” or “RfQ”. RfQ means that a Client submits a request for a quote for (the price of) a certain Financial Instrument to MUFG Bank (Europe), to which MUFG Bank (Europe) responds with a quote. MUFG Bank (Europe)’s quote is only meant for the requesting Client and the Client may conclude a transaction with MUFG Bank (Europe) in the Financial Instrument by accepting this quote. This means that where a Client requests the execution of a transaction, the transaction must take place according to the specific instructions of the Client (*i.e.* the transaction must be executed on the basis of the price quoted by MUFG Bank (Europe), subject to limited exceptions in the case of an outdated quote).

MUFG Bank (Europe) does not handle or execute any orders for transactions in Financial Instruments on behalf of Clients. For the avoidance of doubt, this also means that MUFG Bank (Europe) will not pass on or transmit any Client orders to third party brokers or execution venues (*i.e.* systematic internalisers, organised trading venues, multilateral trading facilities, regulated markets, liquidity providers and market makers).

All Client transactions in Financial Instruments will be executed by MUFG Bank (Europe) as counterparty and outside a trading venue (as defined in MiFIDII). Information can be provided on request with regards to the possible consequences of trading off-venue.

2.3 Scope of Best Execution obligation: legitimate reliance

This Policy applies to all transactions in Financial Instruments where the Client “legitimately relies” on MUFG Bank (Europe) to protect its interests in relation to pricing and other important elements of the transaction.

When executing transactions for Retail Clients, we will always apply Best Execution in accordance with this Policy as Retail Clients do legitimately rely on MUFG Bank (Europe) to protect their interests in relation to a transaction (see paragraph 3.2 (*Best execution for Retail Clients and where the four fold test is not met*) below).

¹ References to MUFG Bank (Europe) include any of its branches, as applicable

When executing transactions for Professional Clients, MUFG Bank (Europe) will determine whether there is “legitimate reliance” on MUFG Bank (Europe) to provide Best Execution through application of a “four-fold cumulative test” (the “Four Fold Test”, see paragraph 3.1 (*Request for Quote: professional clients*) below).

3. Best Execution

3.1 Request for Quote: Professional Clients

Since MUFG Bank (Europe) is dealing with Clients on a ‘Request for Quote’ basis only, the Best Execution obligation can be applied on a limited basis as many of its Clients do not legitimately rely on MUFG Bank (Europe) to protect their interests in relation to pricing and other elements of the transaction that may be affected by choices made by MUFG Bank (Europe).

In order to reach the conclusion that Clients do not legitimately rely on MUFG Bank (Europe) to protect their interests in relation to the transaction, MUFG Bank (Europe) applies the Four Fold Test published by the European Commission which addresses:

- Which party (the Client or MUFG Bank (Europe)) initiates the transaction;
- Questions of market practice and a convention to ‘shop around’;
- The relative levels of price transparency within a market; and
- The information provided by MUFG Bank (Europe) to the Client and any agreement reached.

In order to assess if Best Execution can be applied on a limited basis, MUFG Bank (Europe) will perform a general assessment of the Four Fold Test upon on-boarding a Client. In addition, MUFG Bank (Europe) will assess the outcome of the Four Fold Test before entering into any transaction in Financial Instruments with a Client.

3.2 Best execution for Retail Clients and where the four fold test is not met

The starting point is that Retail Clients are expected to legitimately rely on MUFG Bank (Europe) to protect their interests in relation to a transaction.

On that basis, where MUFG Bank (Europe) executes a transaction in Financial Instruments with a Retail Client and in all instances where the Four Fold Test for Professional Clients is not met, MUFG Bank (Europe) will apply Best Execution by way of performing a “fair price assessment” before executing the transaction.

A fair price assessment is a check to ensure the price MUFG Bank (Europe) proposes to the Client is fair, by gathering market data used in the estimation of the price of the Financial Instrument and, where possible, by comparing with similar or comparable instruments.

4. Specific Instructions

Where a Client provide MUFG Bank (Europe) with specific instructions, MUFG Bank (Europe) will execute the transaction in accordance with those instructions. In doing so, MUFG Bank (Europe) will be deemed to have satisfied its Best Execution obligations. Where a Client’s instructions relate to only part of the transaction, MUFG Bank (Europe) will continue to apply this Policy to those aspects of the transaction not covered by your specific instructions.

As set out above, MUFG Bank (Europe) does not handle or execute any orders for transactions in Financial Instruments on behalf of Clients and MUFG Bank (Europe) will not pass on or transmit any Client orders to third party brokers or execution venues. This will not be different in case of transactions based on specific instructions provided by Clients.

Clients should be aware that providing specific instructions to MUFG Bank (Europe) in relation to the execution of a particular transaction may prevent MUFG Bank (Europe) from taking steps that MUFG Bank (Europe) have designed and implemented in this Policy to apply Best Execution.

5. Monitoring and Review

MUFG Bank (Europe) will monitor the effectiveness of execution arrangements and this Policy and will assess on a regular basis whether these arrangements provide the best possible result for its Clients on a consistent basis.

MUFG Bank (Europe) will review this Policy and applicable execution arrangements on a regular basis. MUFG Bank (Europe) will also conduct a review whenever a material change occurs that affects its ability to continue to achieve the best possible results for its Clients.

Should there be any material changes to applicable execution arrangements or this Policy, MUFG Bank (Europe) will notify its Clients and will also post an updated version of this document on: <https://www.nl.bk.mufg.jp/>

6. Consent

Clients will be deemed to provide consent to MUFG Bank (Europe)'s Execution Policy when entering into a transaction with MUFG Bank (Europe) following receipt of the Terms of Business that reference this Policy.

In relation to Financial Instruments admitted to trading on a Regulated Market, Multilateral Trading Facility or Organised Trading Facility, MUFG Bank (Europe) is required to obtain a Client's prior express consent before MUFG Bank (Europe) executes a transaction in such instruments outside these venues. Clients are requested to provide such consent by one of the means provided in the consent form, as without such consent MUFG Bank (Europe) will be unable to undertake such transactions on your behalf.

7. No Fiduciary Responsibility

MUFG Bank (Europe)'s commitment to provide its Clients with Best Execution does not mean that MUFG Bank (Europe) owes its Clients any fiduciary responsibilities over and above the specific regulatory obligations placed upon it or as may be otherwise contracted between MUFG Bank (Europe) and its Clients.