

Bank of Cyprus Public Company Ltd

MIFID II Quality of execution report

Calendar year disclosure period: 2017
Report date: April 2018

I. Introduction

According to MIFID II, Bank of Cyprus (“the Bank”) is required to publish for each class of financial instrument the top five execution venues in terms of trading volumes for all executed client orders for retail and professional clients. It is also required to publish for each class of financial instrument, a summary of the analysis and conclusions drawn from the detailed monitoring of the quality of execution obtained on the execution venues where it executed all client orders in the previous year.

The Bank follows an order execution policy and this is published in its MiFID Pre-Contractual Information Package. (https://www.bankofcyprus.com.cy/globalassets/wealth/mifid-ii/mifid-pre-contractual-information-package_en_final-doc.pdf)

This report provides data on the Bank’s MiFID activities, in respect of receipt and transmission of orders and execution of orders on behalf of clients. It does not include any transaction activities where the Bank traded directly with its counterparties (e.g. on an OTC basis).

II. Best execution factors

Under our order execution policy, subject to any specific instructions from clients, the Bank takes into account the following execution factors, in order to obtain the best possible result for them: price, costs, speed, likelihood of execution and settlement, size, nature, and any other consideration relevant to the execution of the order.

The relative importance of the execution factors is determined using commercial judgement and experience in light of the information available on the market and taking into account the following execution criteria:

- i. characteristics of clients’ orders,
- ii. characteristics of the financial instruments that are the subject of those orders and
- iii. characteristics of the execution venues to which those orders can be directed.
- iv. clients’ characteristics, including their categorisation as a retail or a professional client

The relative importance of the execution factors varies between different financial instruments. However, in most circumstances, price and costs will be the most important execution factors.

Whenever a specific instruction as to the execution of an order or a part of it is given, the order is executed following the specific instruction. The specific instruction may prevent the Bank from taking the measures designed and implemented in our order execution policy to obtain the best possible result for the execution of that order in respect of the aspects covered by a client’s instruction.

III. Orders transmitted: Equities Shares & Depository Receipts and Exchange Traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)

During 2017, orders received from clients for the above instruments have been transmitted to the counterparties through electronic means, on a Delivery Versus Payment (DVP) basis. DVP is a securities settlement system which stipulates that cash payment must be made simultaneously with the delivery of the security. This is done to avoid settlement risk between counterparties, such as where one party fails to deliver the security when the other party has already delivered the cash when settling a trade.

During the year under consideration, sample checks were performed for a number of transactions to check best execution requirements. The review did not identify any significant issues or items requiring intervention.

In 2017 the vast majority of the equity orders were transmitted to Credit Suisse AG, a Swiss based company regulated by FINMA. Generally, the most important execution factor is the price at which the relevant financial instrument is executed at. However, in more illiquid markets, the primary execution factors may vary and factors like the likelihood and speed of execution and settlement as well as size or nature of the order (including the instrument liquidity) may be as important as the factor price and cost. In case orders received referred to securities that are not eligible for settlement and safekeeping with Clearstream Banking (our main counterparty in delivering post-trade securities services) or are for markets not enabled by Credit Suisse, these orders were transmitted to Investec Wealth and Investment Ltd, a UK company authorised and regulated by FCA. The Bank's cost of execution was also considered without jeopardising the client's cost. Both Credit Suisse and Investec comply with MIFID and have their own best execution policy.

The selection of where to transmit the order depends upon several factors, such as:

- i. The capability of execution on various venues (e.g. Asia, Latin America, Hong Kong etc.).
- ii. Clients' specific instructions.
- iii. The cost of execution for the Bank.

Orders for equities listed on the Cyprus Stock Exchange are transmitted to the Cyprus Investment and Securities Corporation Limited ("CISCO") which is a wholly-owned subsidiary of the Bank and is regulated by the Cyprus Securities and Exchange Commission. CISCO is a direct member of the Cyprus Stock Exchange and a remote member of the Athens Stock Exchange. The cost to the client is not in any way affected by the use of CISCO instead of any other company which is not within the Group.

The Bank does not receive any remuneration, discount or non-monetary benefit for routing clients' orders to a particular trading venue or execution venue which would infringe our obligations with regards to conflicts of interest or inducements.

There have been no significant changes in the list of execution venues during the year under consideration. The main factors to be considered when such a change will occur refer to the speed of access/connectivity, speed of trading, cost of execution etc.

The best possible result in the case of an execution of an order for a retail client is determined in terms of total consideration, representing the price of the financial instrument and the costs relating to execution, which include all expenses incurred by the client which are directly related to the execution of the order. Such costs include execution venue fees, clearing and settlement fees. The factor weighing between retail and professional clients is generally not differentiated unless there are other considerations relevant to the execution of the order that need to be taken into consideration.

No data or tools relating to the quality of execution have been used. Additionally, a consolidated tape provider is not being utilised.

IV. Orders executed: Debt instruments - Bonds

During 2017, orders received from clients for the above instruments have been transmitted to the counterparties through electronic means, on a Delivery Versus Payment (DVP) basis. DVP is a securities settlement system which stipulates that cash payment must be made simultaneously with the delivery of the security. This is done to avoid settlement risk between counterparties, such as where one party fails to deliver the security when the other party has already delivered the cash when settling a trade.

During the year under consideration, sample checks were performed for a number of transactions to check best execution requirements. The review did not identify any significant issues or items requiring intervention.

For liquid debt instruments, the most important execution factor is the price at which the relevant financial instrument is executed at. Therefore, where liquidity is available, orders are largely executed directly with an approved counterparty on a request for quote basis to determine the most competitive overall pricing for the size of order concerned. All our counterparties are authorised and regulated by competent authorities. In more illiquid markets, the primary execution factors may vary and factors like the likelihood and speed of execution and settlement as well as size or nature of the order (including instrument liquidity) may be as important as the factor price and costs.

In general, a variety of criteria are taken into account when assessing the prioritization of execution factors, including the appropriate consideration on an individual transaction basis. Criteria for consideration include the characteristics of each individual transaction such as client preferences, market conditions, when the order is received and the size of the order.

The Bank has no close links or common ownership with any execution venues/brokers to report. The Bank has no conflict of interest to report.

The Bank does not receive any remuneration, discount or non-monetary benefit for routing your orders to a particular trading venue or execution venue which would infringe our obligations with regards to conflicts of interest or inducements.

There have been no significant changes in the list of execution venues/brokers during the year under consideration. The main factors to be considered when such a change will occur refer to the speed of access/connectivity, speed of trading, cost of execution etc.

The best possible result in the case of an execution of an order for a retail client is determined in terms of total consideration, representing the price of the financial instrument and the costs relating to execution, which include all expenses incurred by the client which are directly related to the execution of the order. Such costs include execution venue fees, clearing and settlement fees. Depending on the type of the order, the factor weighing between retail and professional clients is differentiated as regards experience of the counterparty in the relevant market or any other considerations relevant to the execution of the order that maybe of greater importance.

No data or tools relating to the quality of execution have been used. Additionally, a consolidated tape provider is not being utilised.

V. SAXO Bank

The Bank has a White Label Agreement with Saxo Bank, where it offers its clients the Saxo Bank margin trading platform under the name "BOC eTrader". The orders placed through BOC eTrader are executed by Saxo Bank, therefore BOC relies on Saxo Bank's Order Execution Policy. The financial instruments and products offered through BOC eTrader are

Rolling Foreign Exchange Spot, Foreign Exchange Forward and Futures. Saxo Bank's Order Execution Policy is in compliance with MiFID II and the Danish legislation implementing MiFID II and it is the process by which Saxo Bank seeks to obtain the best possible result when executing client orders. Saxo Bank has implemented in 2017 an Order Driven Model for the execution of FX Spot and FX Forward transactions while Future orders are routed to the electronic order book of the relevant exchange.

Saxo Bank's policy is reviewed annually or whenever a major change occurs and additional information can be found at Saxo Bank's website:

<https://www.home.saxo/-/media/documents/business-terms-and-policies/best-execution-policy-en.pdf?la=en>