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Cathay United Bank

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Cathay United Bank

Singapore Branch

Best Execution Disclosure

*Information on the Branch's Best Execution Policy
for investors*

1. Introduction

Cathay United Bank, Singapore Branch (“CUBSG” or “the Bank”) executes and arranges orders in various asset classes which include but is not limited to equities, debt instruments, collective investment schemes, derivative instruments, foreign exchange, interest rate and structured products. In conducting this activity, CUBSG will execute orders directly with a trading venue (e.g. multilateral trading facility) or with counterparties that are systematic internalisers or market makers. We may also arrange transactions for you by passing on orders to counterparties to execute.

Before the Bank completes any investment transactions for you, it is important that you understand how we will handle your order and execute or arrange such transactions. The information contained in this disclosure is a summary of our Best Execution Policy and is designed to provide you with a general understanding of our typical dealing arrangements for different asset classes (part 4) and the execution venues and other counterparties (such as investment firms) to which we pass on your orders to (part 5).

Best execution (“Best Execution”) is the requirement to take all sufficient steps to obtain the best possible result for customers taking into account the various execution factors relevant to the order. This requirement applies both to orders we execute and transactions we arrange for you.

1.1 Monitoring and internal controls

Each department in the Bank has clearly defined roles and responsibilities to ensure effective monitoring, risk management and internal controls. In addition, the Bank has policies and standard operating procedures in place to provide oversight on fair dealing and allocation as well as potential issues related to conflict of interest and front running.

1. When Best Execution is applied to your investment transactions

Best Execution will apply to you if you are placing your order with us as a person other than as an Institutional Investor (as defined in the Securities and Futures Act 2001 of Singapore (“SFA”)) if you are deemed to rely on us in relation to pricing and other terms in relation to such order.

If you are dealing with us as an Accredited Investor (as defined in the SFA) or Expert Investor (as defined in the SFA), we will determine whether you are placing a legitimate reliance on us to provide Best Execution to you based on the following non-exhaustive criteria:

- (i) whether you are the one who initiates the order;
- (ii) whether you have specified the venue and price at which the order should be executed;
- (iii) the complexity of the product, the transparency of the market and your knowledge of the product and market; and/or
- (iv) the following four-fold cumulative test:



- (aa) party initiating the transaction – If you initiate the transaction, it is less likely that you are placing legitimate reliance on us;
- (bb) market practice and your ability to obtain quotes from various providers – Where you will have ready access to obtain quotes from various providers, it is less likely that you are placing legitimate reliance on us;
- (cc) relative levels of price transparency within the market – Where pricing information are transparent and it is reasonable that you have access to such information, it is less likely that you are placing legitimate reliance on us;
- (dd) information provided by you and any agreement reached – Where any agreements or arrangements with you (including provisions under this Disclosure), indicate or suggest that an understanding has been reached that you will not place any legitimate reliance on us.

The responsibility for Best Execution includes both ourselves and other entities with whom we place orders with. When we place or arrange your orders, we will act in your best interests and ensure the entities we worked with to arrange for the execution of your order have execution arrangements that allow us to achieve the best possible result for you.

A number of factors are considered in delivering Best Execution. These factors are outlined in the next section.

2. Factors affecting our selection of an execution venue for orders

When we execute or arrange a transaction on behalf of you, Best Execution is determined via Total Consideration. Total Consideration is the price of the relevant financial product, plus the costs related to execution including all expenses incurred by you which are directly related to the order such as exchange and other transactional costs such as clearing and settlement fees and any other fees payable to entities involved in the order. Implicit costs such as market impact could also be incurred.

The factors (including the Total Consideration mentioned above) are listed as follows. The priority would be determined according to the nature of product and the conditions of prevailing market.

- (a) Price – refers to the price at which the order is executed
- (b) Cost related to execution – this includes explicit external costs, e.g. exchange or clearing fees;
- (c) Speed of execution – refers to the time it takes to execute your order;
- (d) Likelihood of execution, clearance and settlement – the likelihood that we will be able to complete your order;
- (e) Size and nature of order/instrument – size and nature of the order may affect execution price;
- (f) Market impact – refers to the implicit cost caused by the difference between the price before the trade is initiated and the actual price at which the trade gets executed; and

- (g) Any other considerations relevant to the placement and/or execution of the order – this may include, for example, the specific characteristics of your order which might affect how Best Execution is received.

3.1 Where specific instructions are provided by you

While we are responsible for applying our Best Execution standards to all your orders, our obligation to do so would be limited in circumstances when we receive specific instructions from you. For example, in cases where we are given specific instructions to use other execution venue or use other counterparty, this may prevent us from achieving our Best Execution result. Where specific instruction provided by you only cover part of an order, the rest of the order shall be executed in accordance to our Best Execution Policy.

If a specific instruction pertains to the execution factors, we will execute or arrange the order according to such instruction. For orders which you provide us with specific instructions, you should be aware that this may prevent us from achieving the Best Execution result which we execute or arrange for you.

3. Dealing arrangements for the different types of investment

We will take reasonable steps to execute orders promptly in accordance with your order instructions and comply with all applicable regulatory requirements. With regard to orders received during Singapore's public holidays or non-business days, the Best Execution arrangements shall only apply insofar as there are personnel authorized to work and trade on these days in accordance to the Bank's policy. Upon receipt of an order, we shall consider the below order types and place it with our counterparties as soon as we can.

4.1 Equities

If an order is being received during the market trading hours (e.g. SG equity during the SG equity market trading hours), we will place it with the broker immediately. Otherwise, for orders received during non-market trading hours (e.g. US equity order), we shall submit an order to the broker within 30 minutes.

The abovementioned scenarios are only applicable for orders received by us within the order placement hours (9am to 5pm) of each business day in Singapore. Orders received by us outside order placement hours will only be processed by us in the following business day in Singapore.

If an equity order involving fractional shares or shares less than one unit (odd lot), it will be either executed on the odd-lot board provided by the exchange (if available) or placed with a designated broker.

We have the obligation to ensure the order is executed promptly and is accurately allocated. However, if the order placement is rejected by the counterparties (e.g. exceed the price limit of $\pm 15\%$ – After-hour trading, and 24 ticks – Regular trading hour (HK stocks only)/ incorrect lot size and price/ mislead errors/ due to other reason etc.), our team will inform you of the order cancellation.

4.2 Debt Securities

Considering the feature of the over-the-counter (“OTC”) market for bonds, it is common that we have to take time to quote the price with multiple counterparties. Upon receipt of the order, we will place your order to counterparty via email, telephone, or the approved channels (e.g. Bloomberg or MarketAxess platform) within 30 minutes.

If the order is being received in non-trading hours (e.g. quotation for some international bonds are only available when the London market opens), we would check internally whether the orders need to be placed immediately, or to place after the market opens.

If the order cannot be done immediately after being instructed (due to but not limited to: market price far from target, low liquidity, no bid or offer price provided by counterparty, non-trading hours etc.), we may place the bond order as a work order (“Limit Order” or “Leave Order”) with the counterparty.

Where liquidity is available, orders are 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, where liquidity does not exist, orders will be dealt manually in order to identify counterparty(ies) that is/are quoting prices in the security concerned. Additionally, for certain securities there may be only one potential counterparty and therefore obtaining multiple quotes will not be possible.

4.3 Collective Investment Schemes

We will usually trade directly via a fund platform or with the fund manager or fund administrator.

4.4 Over-the-Counter Derivatives (Foreign Exchange(FX)/ Interest Rate(IR) Products/ Structured Investments)

Over-the-counter (“OTC”) derivatives are not executed through an exchange or any other intermediary. The product terms and price are privately negotiated between two parties. The price which we are able to provide to you is determined based on the price we could obtain from our internal traders or regulated counterparties.

4.5 Over-the-Counter Products (besides Over-the-Counter Derivatives)¹

Over-the-counter products are products that are not traded on a formal trading venue. These products are dealt either directly between us and our client or may be sourced via a counterparty or third party.

4. The Execution Venues and Investment Firms we use

The Bank seeks to ensure deep relationships with high quality counterparties so as to maximize execution quality in terms of price net of any dealing costs. Prior to onboarding the counterparties, the Bank shall

¹ Such as Structured Notes (e.g. Equity Linked Note, Fixed Coupon Note)

conduct its due diligence to ensure every counterparty fulfills the minimum set of criteria. We will also conduct regular review for these counterparties to ensure their service level meets our requirement.

A non-exhaustive list of the execution venues is set out below. The Bank places orders on the execution venues which we believe can provide the best overall terms for the clients, while taking into account the Execution Factors mentioned in Section 3.

Equities

The primary counterparty for equities is Phillip Securities Pte Ltd. We use the counterparty's trading platform for order placement of exchange traded products. The broker's geographical market coverage includes Singapore, Hong Kong, United States, etc. If Phillip Securities Pte Ltd couldn't provide a comprehensive service for a specific stock market segment, then iFAST Financial Pte Ltd would be considered.

Debt Securities

We have a number of counterparties for debt securities such as Barclays, BNP Paribas, DBS Bank, Standard Chartered Bank, etc. The execution venues include Bloomberg, MarketAxess and UBS UPIN platform.

Collective Investment Schemes

We have a variety of funds available from Asset Managers such as Alliance Bernstein, Allianz, JP Morgan, PIMCO, etc. The primary execution venue is the platform Vestima. If the platform Vestima couldn't provide the service for a specific fund house or fund, our Bank would sign the required agreement with the fund house to place the order to the fund house directly.

Over-the-Counter Derivatives (Foreign Exchange(FX)/ Interest Rate(IR) Products/Structured Investments)

The primary counterparty for OTC derivatives is Cathay United Bank's traders.

Over-the-Counter Products (besides Over-the-Counter Derivatives)

The various counterparties for OTC products (besides derivatives) include Goldman Sachs, Morgan Stanley and Societe Generale, UBS, etc.

5. Monitoring and Review

We will conduct annual review (and update, if necessary) of our Best Execution Policy to ensure the Bank includes all the reasonable steps to obtain the best possible terms for the trade execution. We will also review (and update, if necessary) any other best execution arrangements, including monitoring and internal controls etc., in accordance to the relevant regulatory standards. The review includes an assessment of the entities to which we transmit orders for execution to determine whether they are able to provide the best possible result for you on a consistent basis.