

Best execution under MiFID

AXA IM's "Order execution policy"

1. INTRODUCTION

MiFID compliance

Under the EU Markets in Financial Instruments Directive (MiFID), we are required to establish an order execution policy, that is, to put in place reasonable measures in pursuit of obtaining the best possible execution of orders. AXA IM is concerned with implementing this policy in the following cases (according to local authorisations):

- when we place orders in financial instruments with a third party for execution under powers contained within our discretionary investment management arrangements with clients;
- when, in the case of non-discretionary arrangements, we receive and transmit orders on behalf of clients; and
- when we are deemed to be executing orders in financial instruments on behalf of clients directly with an execution venue.

Under MiFID, "Member States shall require that investment firms take all reasonable steps to obtain, when executing orders, the best possible result for their clients taking into account the following execution factors: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. Nevertheless, whenever there is a specific instruction from the client the investment firm shall execute the order following the specific instruction".

Purpose and scope

The present document sets forth AXA IM's order execution policy (hereafter 'execution policy').

'Client order' should be read as any buy and sell order on financial instruments received from clients or generated through portfolio management in the name of the client or through the management of collective investment schemes such as UCITS.

Execution venues

AXA IM is not a market member for MiFID purposes. Consequently, we transmit or place our clients' orders with selected brokers, intermediaries and counterparties for execution without knowledge of the ultimate execution venue effectively chosen.

The brokers, intermediaries and counterparties with whom we do regular business may choose to execute our orders on Regulated Markets, on Multi-lateral Trading Facilities, with systematic internalisers or on their own book.

AXA IM has given express authorisation to its brokers, intermediaries and counterparties to carry out the execution of our orders on all these different execution venues.

Broker and intermediaries selection

In pursuit of the best possible execution, AXA IM has put into place procedures for selecting and monitoring its brokers, intermediaries and counterparties who it holds responsible in accordance with their regulatory obligations to offer the best possible execution.

Client profile and instructions

When executing client orders, AXA IM takes into account each client's categorisation, his understanding and experience of the market in question, the nature of the dealing service required and the specific and general client instructions given which may prioritise how the orders are to be filled.

Client specific instructions

Unless otherwise instructed by the client, AXA IM will endeavour to execute client orders in accordance with its current execution policy.

Clients who impose specific instructions on their orders must be aware that AXA IM will undertake to execute or transmit for execution accordingly, even though such client instructions may be contrary to the provisions of our execution policy.

However, AXA IM reserves the right to override unclear client specific execution instructions with its current execution policy.

2. EXECUTION POLICY

Criteria

In deploying reasonable efforts in pursuit of best possible execution, the criteria, as well as their relative importance, will be assessed according to the type of instruments and their intrinsic characteristics.

The relative importance of these quantitative and/or qualitative criteria may, in certain cases, be adjusted in order to ensure compliance with prevailing regulations.

In the absence of any express instructions from the client, AXA IM grants its brokers, intermediaries and counterparties the right to choose the most appropriate execution venue for obtaining the best possible result for the client.

For retail clients, the preferred criteria will always be the total cost.

For professional clients, other factors such as speed and certainty of execution and settlement, the size and nature of the order, the impact on the market, the quality of the counterparties, any proprietary risk criteria ...may be given equal consideration.

Financial instruments

Financial instruments covered in this execution policy are laid out in Appendix 1.

In relation to what follows, AXA IM has the right to non-disclosure to the market of outstanding limits price orders.

Shares and listed derivatives

For orders of shares or listed derivatives, AXA IM will deploy reasonable efforts to transmit the client order to a broker or intermediary for execution, selected and monitored for its capacity to consistently deliver best possible results that respond to the terms of our execution policy.

The broker or intermediary has discretionary power to execute the client order on:

- a Regulated/organised Market,
- a Multi-lateral Trading Facility (MTF),
- a system of internalisation,
- his own accounts.

Clients must therefore be aware that their orders may be executed away from regulated markets and MTFs.

Money market and fixed income instruments

For these instruments AXA IM has procedures that account for the diversity of associated execution venues or execution alternatives.

In order to obtain the best possible result for its clients, AXA IM takes into account the characteristics of the order (e.g. size, limit, maturity, amount etc.) with priority on speed and liquidity in relation to the instruments at the time of execution of the order.

As a rule, client orders on non-listed products are executed in compliance with the terms of contractual agreements with the client.

Non listed “non complex” derivatives

AXA IM has put into place appropriate procedures for taking into account the diversity of execution venues and execution alternatives relative to non listed derivatives negotiated on OTC markets.

For these instruments AXA IM has procedures that account for the diversity of associated execution venues or execution alternatives. In pursuit of deploying reasonable means to obtain the best possible execution, AXA IM takes into account the characteristics of the order (e.g. size, limit, maturity, amount etc.) and other criteria such as liquidity, the quality of the counterparties, the quality of legal documentation including any proprietary risk criteria.

As a rule, client orders on non-listed products are executed in compliance with the terms of any contractual agreements with the client.

Grouping or orders

Unless the client provides express instruction otherwise, client orders related to several portfolios may be aggregated with another client order when it is deemed to achieve the best possible result, notably in terms of cost, taking into account the need to ensure fair treatment.

Clients are informed that such grouping of orders may sometimes result in partial execution of their order(s).

Documented processes currently in place specify ‘a priori’ allocation of orders, as well as the handling of particular situations such as partial fills of placed orders. These arrangements take into account the interest and particular situation of each client and portfolio, in order to ensure speed of execution and fair handling for all clients.

3. POLICY MONITORING

AXA IM has rigorous procedures for effectively and permanently applying the terms of the present execution policy and if need be, promptly making any necessary adjustments.

To that effect, AXA IM assesses regularly whether the chosen execution venues and intermediaries provide for the best possible results in most cases.

In case of emergency such as a system failure or otherwise, we may have no alternative but to execute an order using a method other than the method that we have selected based on the present execution policy. In such an event, AXA IM has in place robust fallback facilities that will be activated in accordance with its procedures.

Should AXA IM be in a position that prevents a client order from being executed or transmitted for execution in compliance with the present execution policy then AXA IM will notify the client as quickly as possible.

4. EXECUTION POLICY DISCLOSURE

The present execution policy is disclosed to existing clients and to new clients at the outset of our client relationship.

For discretionary mandates management, the client must give formal prior agreement to the present policy. For other investment services, once a trade has been executed in his name, the client is considered to have agreed to the present policy.

In accordance to regulatory requirements, the execution policy is reviewed on at least an annual basis. Any material changes to the policy are notified on a sustainable medium to our clients.

5. RESPONSIBILITIES

AXA IM will take reasonable measures in pursuit of the best possible execution of orders on behalf of its clients. Nevertheless, AXA IM can only be held responsible for deploying best efforts but not for the results. Investment services provided by AXA IM will be assessed only on the basis of the company's best efforts obligations.

AXA IM cannot be held responsible for the non-execution or incorrect execution where "force majeure" circumstances prevent us from doing so.

Finally, AXA IM will not be held responsible for the consequences of orders resulting from the execution of specific instructions from the client.

6. CLIENT ACKNOWLEDGEMENT (WHERE APPLICABLE)

The Client acknowledges that it has been made aware of and accepts the nature of the execution policy and procedures which AXA IM has in place for providing the best possible result.

7. APPENDIX 1: FINANCIAL INSTRUMENTS COVERED UNDER MiFID

This Execution policy applies in relation to a specified list of financial instruments summarised below:

- Transferable securities
- Money Market instruments
- Units in Collective Investment Undertakings
- Derivatives relating to securities, currencies, interest rates or yields, or other derivatives which may be settled physically or in cash
- Commodity derivatives that are traded on a regulated market and/or a multilateral trading facility even if they are physically settled.
- OTC commodity derivatives with a cash settled option other than on default or other termination event.
- Other OTC commodity derivatives which are physically settled, which are not for commercial purposes, and which have the characteristics of other derivatives, having regard to certain factors such as the existence of clearing and margining.
- Credit derivatives
- Financial Contracts for Differences
- Derivatives relating to climatic variables, freight rates, emission allowances or inflation rates or other statistics, and certain other derivatives.
- Commodity derivatives are captured by MiFID and classified as a financial instrument subject to European legislation for the first time. ‘