

Bank of Cyprus Public Company Ltd

MIFID II Quality of execution report

Disclosure period: 1 January 2023 - 31 December 2023

Report date: April 2024

I. Introduction

According to Article 27.6 of Directive 2014/65/EU (“MIFID II”) and Article 3 of Commission Delegated Regulation EU 2017/576 (“RTS 28”), 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, a summary of which is included in its MiFID Pre-Contractual Information Package, which is available on the Bank’s website under the section of MiFID.

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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 Over the Counter 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 - the price a financial instrument transaction is executed at;
- Costs - it may include implicit costs e.g., possible market impact; explicit external costs e.g., exchange fees; and explicit internal costs which represent the Bank’s own remuneration fees;
- Speed- the time it takes to execute a client transaction including settlement;
- Likelihood of execution and settlement- the likelihood that the Bank will be able to complete a client transaction;
- Size- the size of the transaction executed for a client taking into consideration how it affects the price of execution;
- Nature, and any other consideration relevant to the execution of the order- this is how the characteristics of a client transaction can affect how best execution is received.

(i) Explanation of the relative importance the Bank gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution

a) Applicable for all instruments

Orders received from clients have generally been transmitted to counterparties through electronic means, on a Delivery Versus Payment (DVP) basis (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.

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:

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

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.

In order to check best execution, during the year under consideration, sample checks were performed for a number of transactions relating to equities and debt instruments as well as other investments. The review did not identify any significant issues or items requiring intervention.

b) Equities Shares & Depositary Receipts and Exchange Traded products

(Exchange traded funds, exchange traded notes and exchange traded commodities)

During 2023, equity transactions were placed through our main counterparties, Credit Suisse and StoneX Financial Ltd, both of which comply with MIFID and have their own best execution policy. Credit Suisse is a Swiss based company regulated by FINMA, Switzerland's Independent Financial Market regulator. StoneX Financial Ltd is regulated by the Financial Conduct Authority, the conduct regulator in the UK.

Orders for equities listed on the Cyprus Stock Exchange and the Athens Stock Exchange are transmitted to the Cyprus Investment and Securities Corporation Limited ("CISCO") (see section ii (b) below).

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's liquidity) may be as important as the factors price and cost.

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.
- iv. The extent of manual handling required.

c) Debt instruments-bonds

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. The counterparty will be chosen based on the trading relationship that exists, its status in the specific market and the ability to execute with many names globally that will allow the execution at the most favourable terms. The most important execution factor is the price at which the relevant financial instrument transaction is executed at.

d) Other Investments

Transactions in Other Investments are traded through the Global Markets & Treasury Sales Department and are quote-driven. They are traded OTC and the Bank's best execution obligation, if applicable, is satisfied if the prices quoted to customers are close to market prices. In order to check the fairness of prices quoted to customers, the Bank gathers market data and, if possible, compares it to similar quotes provided by other counterparties. The bank assesses best execution against data derived through Bloomberg or Reuters.

(ii) Description of any close links, conflicts of interest and common ownerships with respect to execution venues used to execute orders

a) Applicable for all instruments

Effective administrative and organisational arrangements exist for the identification, prevention and management of conflicts of interest when providing investment and ancillary services.

It is noted that the Bank applies a conflict of interest policy. Please refer to section 5 of the MiFID Pre-Contractual Information Package which is available on the Bank's website under the section of MiFID.

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b) Equities Shares & Depository Receipts and Exchange Traded products

(Exchange Traded Funds, Exchange Traded Notes and Exchange Traded Commodities)

Orders for equities listed on the Cyprus Stock Exchange and the Athens 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.

(iii) Description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received

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 its obligations with regards to conflicts of interest or inducements.

(iv) Explanation of the factors that led to a change in the list of execution venues listed in the Bank's execution policy, if such a change occurred

The Bank continues to review the execution venues that it uses. The Bank performs an annual evaluation of the counterparties that it uses in order to assess their execution quality.

(v) Explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements

The order execution policy does not generally differ between retail and professional client categorisation.

(vi) Explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration of the client

Total consideration (price and execution costs) is considered to be the primary execution factor. However, if a retail client places an order with specific instructions that cover all aspects of an order, then this will generally be executed in accordance with the client's instructions which may mean that factors other than total consideration may take priority. In case of a client's order with specific instructions that cover partial aspects of an order, best execution is applicable on the aspects of the order not covered by the instructions.

(vii) Explanation of how the Bank has used any data or tools relating to the quality of execution, including any data published under RTS 27

No data or tools relating to the quality of execution have been used.

(viii) Explanation, where applicable, of how the Bank has use output of a consolidated tape provider established under Article 65 of Directive 2014/65/EU

The Bank does not currently use a consolidated tape provider.

III. 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 e Trader”. The orders placed through BOC eTrader are executed by Saxo Bank; therefore, the Bank relies on Saxo Bank’s Order Execution Policy. The financial instruments and products offered through BOC eTrader are: Rolling Foreign Exchange Spot and Futures. Saxo Bank’s Order Execution Policy refers to the process by which Saxo Bank seeks to obtain the best possible result when executing client orders. The policy is in compliance with MiFID II. Saxo Bank has implemented in 2017 an Order Driven Model for the execution of FX Rolling Spot 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. For further details, please refer to MiFID Pre-Contractual Information Package which is available on the Bank’s website under the section of MiFID.

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