

ORDER TRANSMISSION AND EXECUTION POLICY FOR PROFESSIONAL CLIENTS

1. DEFINITIONS

“Execution Policy” or simply the “Policy” or the Strategy: measures, mechanisms and procedures adopted by MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A. (“MPS CAPITAL SERVICES” or the “BANK”) to obtain the best possible result for professional clients (“Best execution”) either when executing professional client orders or when receiving and transmitting these orders for execution.

“Trading Venues”: a Regulated market, a Multilateral Trading Facility (MTFs), a Systematic Internaliser, a market maker, a principal trader or other liquidity providers.

“Regulated Market”: a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its nondiscretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorized and functions regularly.

“Multilateral Trading Facilities” or (MTFs): a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract.

“Systematic Internalisers”: an investment firm which, on an organised, frequent and systematic basis, deals on own account by executing client orders outside a regulated market or an MTF.

2. Introduction and scope of the document

This document – in accordance with the EU Markets in Financial Instruments Directive (MiFID) and with the Regulations for Intermediaries adopted by Consob with resolution no. 16190 of 29 October 2007 – explains the execution policy of the Bank when executing orders on behalf of its professional clients (the “Policy”). As requested, the Bank put in place an order execution policy and take all reasonable steps to obtain the best possible result for its professional clients either when executing customer orders or when receiving and transmitting order for execution.

In absence of specific instructions from the client, the Bank will usually take into account the various execution factors and criteria set out in this document in order to determine how to obtain the best possible result when executing orders on behalf of the clients.

Best Execution requirements are implemented in a way that considers several circumstances on order executions and financial instruments.

Client is aware that even if all measures and procedures established in this “Strategy” are applied in order to reach Best Execution, there is no guarantee to obtain such result on each single transaction, due to concrete circumstances and market conditions. It is also possible that a single order is fragmented in various parts each one executed following different conditions and criteria of this “Strategy”.

The aim of this document is to provide informations concerning the order transmission and execution policy adopted by MPS Capital Services pursuant to article 46, section 1 and article 48, section 3, of the regulation adopted with CONSOB Resolution no. 16190, dated 29 October 2007, and subsequent amendments and additions.

3. Recipients

MPS Capital Services provides investment services related to this Policy especially to Eligible Counterparties (as defined in Regulations for Intermediaries adopted by Consob). For this reason, this Policy is directed to the Counterparties that require to be classified as professional clients.

If the above mentioned Counterparties need to transmit orders on behalf of their retail clients, The Bank will provide the execution and transmission service subject to written agreement between the parties.

4. Prior consent

MiFID Directive requires that investment firms provide their clients with appropriate information about their order execution policies and that obtain the prior consent of their clients to the execution policy.

In the case the Client doesn't provide a prior explicit consent, the Bank could consider that the consent is implicit, if the Client transmits an order after the delivery of this Policy.

5. Specific Instructions

In case a Client gives the Bank specific instructions, regarding the terms of his order, this policy will not be applied for those aspects of the execution relating to the specific instruction and the Bank will have complied with the obligation to take all reasonable steps to obtain the best possible result when executing that order by following the specific instructions received.

In such situation a Client is aware that specific instructions could result in disapplication of the measures contained in the "Strategy" due to the specific terms given.

If the Client has direct access to the execution sites through the systems of the Bank, Best Execution requirements are fulfilled if the Client himself transmits the order specifying the execution site through the systems of the Bank.

6. Inapplicability of the Best Execution

Best Execution rules don't apply to Clients defined Eligible Counterparties pursuant to the article 58, section 3, of the Regulations for Intermediaries adopted by Consob with resolution no. 16190 of 29 October 2007.

Quotations of financial instruments on a continuative basis is not considered an order execution, therefore Best Execution rule is not enforceable.

Regarding quotations on particular financial instruments, usually not offered from the Bank, following a Request for Quote from the Client, Best Execution requirements are satisfied when the Bank execute the order immediately after the request from the Client. Such orders are considered specific instructions from the Client.

7. Factors taken into account to obtain the best result possible

In accordance with the EU Markets in Financial Instruments Directive (MiFID) and with the Regulations for Intermediaries adopted by Consob with resolution no. 16190 of 29 October 2007, the Bank, when executing a client's order, has to take into account the following factors ("Execution Factors" or the "Factors"):

- price of the financial instrument and cost of execution;
- rapidity of execution;
- likelihood of execution and settlement;
- size of the order;
- nature of the order;
- any other consideration relevant to the execution of the order.

The Bank gives these factors a priority order for each class of financial instrument and for each kind of client and uses it as a basis to select, for the execution of the orders, the execution venues and/or the specified broker-dealers, which, guarantee the best possible result.

Client is aware that, in order to pursue the best possible result, the Bank, to execute its order, could consider not only the Execution Factors but also other factors if retained relevant, without causing prejudice to the Best Execution Rule defined in this "Strategy". For instance in high volatile markets the rapidity of execution, the likelihood of execution and settlement or, moreover in illiquid markets, the simple execution of the order, could constitute the best result for the client.

8. Criteria to establish the priority of the Execution Factors

With the intent of establishing the priority of the Execution Factors, the Bank takes into account also the following criteria ("Execution Criteria" or the "Criteria"):

- the characteristics of its clients;
- the characteristics of the client orders;
- the characteristics of the financial instruments, that are the subject of those orders;
- the characteristics of the execution venues, to which those orders may be routed.

9. Financial instruments subject of the Policy

This Policy applies exclusively to the financial instruments described in the following paragraphs.

10. Execution Policy and Trading Venues

When the Bank executes an order on behalf of its professional Clients, and in absence of specific instructions, MPS Capital Services adopts all the reasonable measures and the effective mechanisms to obtain the best result possible to be consistent to this Policy.

Due to differences among markets and financial instruments, it is not always easy to identify a common procedure to use all over financial instruments and markets in order to pursue the best possible result. In such cases Best Execution Rule is enforced according to the procedures defined in this Strategy and considering all possible circumstances, Nevertheless, there are no guarantees that specific market conditions will always permit to obtain the best possible result on each transaction.

Therefore, the Bank has defined a set of “**execution venues**”, to which it has direct access or indirect access through other broker-dealers that it considers able to ensure on a continual and consistent basis the best possible result for its clients for the various financial instruments being traded.

The list of execution venues included in the order transmission and execution policy is available in Annex B.

11. Execution of the orders outside a regulated market or an MTF

This orders transmission and execution policy allows the professional clients orders to be executed outside a regulated market or an MTF.

For this reason, in accordance with the EU Markets in Financial Instruments Directive (MiFID), the Bank must obtain the prior explicit consent of its clients before proceeding to execute those orders outside a regulated market or an MTF. This prior explicit consent is provided with the form Annex A.

12. Government and Corporate Bonds

The Bank could execute professional client orders concerning Government and Corporate Bond (admitted or not admitted to trading on a regulated market):

- on the MTF “EUROTLX”;
- on the Regulated Market (MOT/EUROMOT);
- as dealer on own account

Implementing this activity the Bank transmit its orders on markets or execution sites reserved for institutional investors, usually executing orders of greater size than those transmitted from retail clients. In such cases the Bank executes the orders on its own account also for small size.

The Bank executes orders as a Systematic Internaliser when dealing with professional clients that transmit orders for their own retail clients, on the internal platform De@I Done Trading, reserved to trading to registered institutional Client, only.

Executing orders fragmented on several execution sites and, for a relevant size, over the counter, the Bank takes into consideration many execution factors as: the rapidity of execution and the likelihood of execution and settlement in order to obtain the best possible result, even if for not quoted or scarcely liquid bonds the simple execution of order (moreover in illiquid markets), could constitute the best result for the Client.



For private placement-like financial instruments, which are not quoted on regulated markets, due to the high customization nature of the bond, Client is aware that execution conditions are not comparable with those of the financial instruments usually quoted on regulated markets.

13. MPS Bonds (issued or placed by Montepaschi Group)

The Bank will execute professional clients orders concerning Bonds (structured or plain vanilla), which are issued or placed by Montepaschi Group (Certificates included), as dealer on own account.

14. OTC Derivatives

In case of OTC Derivatives orders, rapidity of execution and likelihood of execution and settlement are the priority Execution Factors.

These orders will be executed by the Bank as dealer on own account and the transfer price will be determined pursuant the Pricing Policy of the Bank.

This Policy takes into account mid price (calculated in accordance with internal models adopted in market practice), hedging cost concerning market risks and maximum cost of hedging.

If the Client is an Eligible Counterparty, the price will be considered as the result of a free and aware negotiation between the parties and Best Execution Rule will not be enforceable.

15. Determination of the price

The Bank determines the financial instruments pricing by using own models and market data provided from well known informative sources.

The pricing models are developed by dedicated internal functions or, alternatively, come from informatic procedures utilized by the Bank, and declared within a specific internal document; market data are provided from informative sources that represent market values.

Area Risk Management of Banca Monte dei Paschi di Siena certifies the pricing models taking into account various factors and among them: best practices on valuing techniques and the model's accuracy of valuation.

The price, as above described, is free from other costs and commissions.

16. Monitoring and review of the Policy

The Bank will monitor the effectiveness of the measures adopted by the Policy and assess the execution quality in order to identify and, if necessary, rectify possible lacks in the Policy.



The Bank reviews the Execution Policy at least annually and, whenever a material change occurs, that affects its ability maintain, on a consistent basis, the best possible result for the execution of orders.

The Bank will notify any material change in the Execution policy to make the clients aware of it.

17. General Conditions in the management of client orders

The Bank manages client orders applying measures that ensure a rapid, fair, correct and efficient handling of these orders in respect to others client orders and to the Bank negotiation's interests.

The Bank carries out comparable client orders sequentially and promptly unless the characteristics of the order, the prevailing market conditions, or the interests of the client require a different approach.

18. Allocation and aggregation

The Bank can carry out a client order or a transaction for own account in aggregation with another client order, only when the following conditions are met:

- it must be unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated;
- an order allocation policy must be established and effectively implemented, providing in sufficiently precise terms for the fair allocation of aggregated orders and transactions. The policy points out, how volume and price determine orders allocation and how partial executions are treated.

In case of partial execution of aggregated client orders, the Bank allocates the related trades in accordance with its order allocation policy. In such cases the aggregation of a specific order could result in a detriment for the client.

ANNEX A

Consent to execute orders outside a Regulated Market or an MTF

MPS Capital Services Banca per le Imprese S.p.A.

Via L. Pancaldo 4

50127 Firenze (Italy)

Attn. To Compliance Dept.

In accordance with the EU Markets in Financial Instruments Directive (MiFID) We consent generally to the execution of such orders outside a Regulated market or a Multilateral Trading Facility (MTF).

Name:
Entity:
Title:
Signature:
Date:

ANNEX B

TRADING VENUES

Sedi di esecuzione obbligazioni	Codice paese	Circuito di regolamento	Tipologia di sede di esecuzione
Mercato Telematico Obbligazioni e Titoli di Stato (MOT)	ITA	Monte Titoli	Regulated Market
Mercato Telematico Obbligazioni e Titoli di Stato – Segmento Euromot	ITA	Clearstream/ Euroclear	Regulated Market
EuroTLX	ITA	MonteTitoli - Clearstream/ Euroclear	MTF
DealDoneTrading	ITA	MonteTitoli - Clearstream/ Euroclear	Systematic Internalisers