

REPORT ON THE RECEPTION, TRANSMISSION AND EXECUTION OF ORDERS DIF BROKER – EMPRESA DE INVESTIMENTO, S.A.

1. FRAMEWORK

The Policy on the Reception, Transmission and Execution of Orders over Financial Instruments on the most favourable conditions for the Client establishes the trading criteria in light of the correct execution of clients' orders, according with the requirements set by the second *Markets in Financial Instruments Directive (MiFID II)*, as well as other legal texts that complement it¹ and the Portuguese legislation that proceeded to its transposition into national law.

These requirements demand that persons or entities that provide investment services, on the execution or intermediation of clients' orders, adopt the sufficient measures in a way that provides the best possible result to their clients, taking into consideration the price, the costs, the swiftness and the probability of execution and liquidation, volume, nature of the transaction and/or any other elements relevant for the execution of the transaction, regardless if such services are provided independently or collectively with another entity(ies).

According to the regulatory framework in force, this obligation is considered fulfilled when sufficient measures destined to consistently obtain the best possible results for the client have been adopted, without i) implying that the aforementioned result must be obtained for each and every one of their respective orders, or ii) always consisting on the obtaining of the best price, given the relative importance that other factors might have under certain operations.

Under the terms of the *Commission Delegated Regulation (EU) 2017/576 of 8 June 2016*, supplementing *MiFID II* with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution, DIF Broker – Empresa de Investimento, S.A. (*DIF Broker or Company*) should publish periodically, the Report on the Reception, Transmission and Execution of Orders of classified clients, under the scope of *MiFID*, with the categories of “*Non-Professional*” or “*Professional*”, excluding from the scope the orders transmitted by clients classified as “*Eligible Counterparty*”.

Specifically, this report must identify the five main execution platforms in terms of negotiation volume, considering the orders executed by DIF Broker clients on the previous year. This report is made available by type of financial instrument and by type of client (Non-Professional and Professional), being the information segregated in accordance with the nature of the executed orders:

- (i) Passive orders – orders that provide liquidity. For example, a buy limit order placed defining the maximum purchase price, usually corresponding to a price higher than what is available on the market;

¹ Directive 2014/65/EU, of 15 May 2015, on markets in financial instruments (*MiFID II*).

Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments

Commission Directive 2006/73/EC of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms (*Execution Directive*).

Commission Regulation (EC) No 1287/2006 of 10 August 2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards record-keeping obligations for investment firms, transaction reporting, market transparency, admission of financial instruments to trading (*Execution Regulation*).

The text resulting from the mentioned Union Directives has been transposed to National Portuguese Law, through amendments to the *Securities Code (CVM)*

(ii) Aggressive orders – orders that absorb liquidity. For example, an order executed at market price and carried out immediately, removing liquidity from the market;

(iii) Directed orders – orders specified by the client previously to their execution.

DIF Broker provides a single direct channel for the transmission of orders, through access to the external negotiation platform, property of *Saxo Bank, A/S*. This entity has its own Policy on the Reception, Transmission and Execution of Orders, aligned with the legislation in force. In turn, DIF Broker, under the scope of its continuous monitoring due diligences, seeks to (i) track the best result on the execution

(ii) ensure the publication of a Policy on the Reception, Transmission and Execution of Orders under the terms defined by *MiFID II*

and (iii) monitor the reception and transmission of orders system of the entity, according to the best international practices.

With the recent revision of MIFID II, the obligation to produce and publish this report is no longer mandatory. However, the European guidelines are being transposed into national legislation at the time of issuing this report.

If you want any information about this topic, you should get in touch with DIF Broker - Empresa de Investimento, S.A. through the regular channels.

For more information about this topic, please consult the ESMA statement or our MIFID II section.